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ABSTRACTS

Game Theory and Comparative Politics

new perspectives and old concerns

By GERARDO L. MUNCK

In an effort to take stock of the claims put forth by advocates of game theory, this article offers an assessment that considers game theory both as a set of theoretical principles that extends rational choice theory to interdependent decision making and as a type of formal methodology. Some important strengths of game theory are identified, such as its emphasis on actors and strategic choices and its ability to generate predictions in a logically rigorous and internally consistent manner. But many shortcomings are also discussed. One shortcoming is that the effort to develop a theory of action falls short, both in the sense of failing to provide a full explanation of actions and in the sense of not applying to domains of great significance. A second shortcoming is the failure of the procedures used in formal modeling to offer guidance pertaining to a critical step in the process of modeling: the conceptualization of the model. Thus, the challenge facing scholars in comparative politics is to consider the new perspectives offered by game theory and draw upon its strengths, but to do so without losing sight of a series of old concerns in the social sciences that game theory is not suited to tackle.

Fiscal Decentralization

a political theory with latin american cases

By CHRISTOPHER GARMAN, STEPHAN HAGGARD, and ELIZA WILLIS

Theories of fiscal federalism explain the efficiency and other economic gains from decentralization but do not explain its extent and nature in practice. The authors develop a political theory of decentralization that focuses on the lines of political accountability between politicians at different levels of government. The more accountable central-level politicians—presidents and legislators—are to subnational politicians, the greater the extent of decentralization and the more it will conform to the preferences of subnational politicians, for example, with respect to the degree of the center's discretion. The model is tested on five Latin American countries that, although formally decentralized, in fact exhibit wide differences in the distribution of spending and revenue responsibilities. The theory also helps explain a number of problems governments have encountered in decentralizing, including subnational debt crises and a mismatch between responsibilities and resources.

Eugenic Ideas, Political Interests, and Policy Variance

immigration and sterilization policy in britain and the u.s.

By RANDALL HANSEN and DESMOND KING

A burgeoning literature in comparative politics has sought to incorporate ideas into political analysis. In this article the authors categorize the main ways in which this incorporation has occurred—ideas as culture, ideas as expert knowledge, ideas as solutions to collective action problems, and ideas as programmatic beliefs—and explicate the different assumptions about causality and the permanence of ideas implied by these different frameworks. This theoretical exercise is then applied to an empirical examination of eugenic ideas about sterilization and immigration and their influence on public policy in Britain and the United States between the world wars. Given that ideational ideas were (broadly) equally powerful in both countries, the cases provide a basis for shedding light on when and how extant ideational frameworks influence public policy. Employing primary sources the authors conclude that ideas remain powerful expressions of societal interests but depend upon key carriers to realize such expressions.

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INEQUALITY, GROWTH, AND DEMOCRACY
By DIMITRI LANDA and ETHAN B. KAPSTEIN

The analysis of the relationship between inequality and economic growth in distinct politicoeconomic environments has been one of the central preoccupations of the extensive theoretical and empirical work on growth in the last decade. The authors argue that the empirical evidence available to date strongly indicates the relevance of this work for understanding the elusive causal connection between economic development and democracy. The state of the literature suggests considerable sophistication in conceptualizing the direct economic effects of inequality and contains critical insights into politically unconstrained policy-making aimed at the alleviation of their negative economic impact. However, the political feasibility of the recommended policy measures and the politically mediated effects of inequality and redistributive policy on growth and on the strength and stability of democratic regimes are understood less well. The authors discuss the critical factors influencing these effects and sketch several approaches to creating a comprehensive politicoeconomic account of the interaction between inequality, redistributive policy-making, and political regimes.

USURPING THE SOVEREIGNTY OF SOVEREIGNTY?
By DANIEL PHILPOTT

Stephen Krasner's *Sovereignty* and Michael Ross Fowler and Julie Marie Bunck's *Law, Power, and the Sovereign State* together pose the deepest challenge yet to the assumption of sovereignty in international relations scholarship. Both claim not merely that state sovereignty is now compromised but also that it has always been severely truncated, violated, and curtailed. Both works contribute importantly to the field by amassing and cataloging formidable evidence of compromises of sovereignty. Yet by failing to provide a yardstick by which to compare these compromises with states' comparative respect for sovereignty, both works ultimately fail to sustain their thesis. Both also overlook the constitutive dimension of sovereignty, a dimension whose acknowledgment would render sovereignty far more stable than either admits. By contrast, a third work, Rodney Bruce Hall's *National Collective Identity*, commendably explores the constitutive role of sovereignty and applies it to the development of the nation-state system. The strengths and weaknesses of all three works help set an agenda for future scholarship on sovereignty.

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GAME THEORY AND COMPARATIVE POLITICS
New Perspectives and Old Concerns

By GERARDO L. MUNCK*

RATIONAL choice theory (RCT) has had a growing influence on political science that can be traced to the impact of a handful of seminal works: John von Neumann and Oskar Morgenstern's *Theory of Games and Economic Behavior,* Kenneth Arrow's *Social Choice and Individual Values,* Anthony Downs's *Economic Theory of Democracy,* and Mancur Olson's *Logic of Collective Action.*[1] The impact of RCT was first felt in the field of American politics, in large part due to the work of William H. Riker and the Rochester school, and by the 1990s it occupied a position of great influence in this field. Within the field of international relations, RCT did not attain the same position of influence as in American politics, but it was also used quite widely. The same cannot be said about comparative politics. Indeed, RCT and, more specifically, game theory—a term I use to refer to the branch of RCT that studies interdependent decision making with a formal methodology—was hardly a standard point of reference for comparativists until quite recently.[2]

Since the early 1990s, however, much has changed in comparative politics. A number of prominent comparativists published widely read

* I have benefited from valuable feedback from or discussions with Badredine Arfi, William Bernhard, Dexter Boniface, and David Collier. In addition, I deeply appreciate the detailed and thoughtful comments by Bear Braumoeller, Richard Snyder, and numerous anonymous reviewers. Any errors, of course, are my responsibility.

[1] Von Neumann and Morgenstern, *The Theory of Games and Economic Behavior* (Princeton: Princeton University Press, 1944); Arrow, *Social Choice and Individual Values* (New York: John Wiley and Sons, 1951); Downs, *An Economic Theory of Democracy* (New York: Harper and Row, 1957); Olson, *The Logic of Collective Action* (Cambridge: Harvard University Press, 1965).

[2] On the impact of the foundational texts of rational choice theory on political science, see Dennis C. Mueller, "Public Choice in Perspective," in Mueller, ed., *Perspectives on Public Choice: A Handbook* (New York: Cambridge University Press, 1997); and S. M. Amadae and Bruce Bueno de Mesquita, "The Rochester School: The Origins of Positive Political Economy," *Annual Review of Political Science,* vol. 2 (Palo Alto, Calif.: Annual Reviews, 1999), 272–78. On the impact of RCT on the different fields within political science, see Scott Gates and Brian D. Humes, *Games, Information, and Politics: Applying Game Theoretic Models to Political Science* (Ann Arbor: University of Michigan Press, 1997), 12–14; and Amadae and Bueno de Mesquita.

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and influential works applying RCT and game theory to a series of problems of great interest to students of comparative politics—problems that include democratization, economic reform, ethnic mobilization, and nationalism.[3] In addition, a concerted effort was made to promote the potential contributions of RCT and game theory. Many of the claims put forth still rest more on promise than on actual achievements. Nevertheless, the claims are hard to ignore: in essence, RCT and game theory are presented as the approaches best suited to theory building, the integration of research on different substantive issues, and the cumulation of knowledge.[4]

This call for a reorientation of comparative politics has frequently been framed in stark terms that overstate the contributions of RCT and game theory and understate or simply ignore the contributions of other theoretical and methodological approaches. For example, though Barry Weingast recognizes that "formal and traditional approaches are complementary rather than competing paradigms," he nonetheless argues that formal theory has "the ability to answer questions to which traditional methods are less suited" and specifically suggests that whereas other scholars might provide "detailed descriptions," formal theorists provide "explanations" and offer a means for synthesizing research on diverse questions that other literatures treat in a compartmentalized way.[5] Similarly, Barbara Geddes argues that RCT lends itself "to the construction of general theories" and makes "theory building possible,"

[3] Robert H. Bates, *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies* (Berkeley: University of California Press, 1981); idem, ed., *Toward a Political Economy of Development: A Rational Choice Perspective* (Berkeley: University of California Press, 1988); idem, *Beyond the Miracle of the Market: The Political Economy of Agrarian Development in Kenya* (New York: Cambridge University Press, 1991); idem, "Comparative Politics and Rational Choice: A Review Essay," *American Political Science Review* 91 (September 1997); David Laitin, "The Game Theory of Language Regimes," *International Political Science Review* 14 (July 1993); idem, *Identity in Formation: The Russian-Speaking Populations in the Near Abroad* (Ithaca, N.Y.: Cornell University Press, 1998); idem, "National Revivals and Violence," in John Bowen and Roger Petersen, eds., *Critical Comparisons in Politics and Culture* (New York: Cambridge University Press, 1999); Adam Przeworski, *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America* (New York: Cambridge University Press, 1991).

[4] Laitin, "Letter from the Incoming President," *APSA-CP: Newsletter of the APSA Organized Section in Comparative Politics* 4 (Summer 1993); Bates, "Letter from the President: Area Studies and the Discipline," *APSA-CP: Newsletter of the APSA Organized Section in Comparative Politics* 7 (Winter 1996); Barry R. Weingast, "Formal Theory and Comparative Politics," *APSA-CP: Newsletter of the APSA Organized Section in Comparative Politics* 8 (Winter 1997a); idem, "The Political Foundations of Democracy and the Rule of the Law," *American Political Science Review* 91 (June 1997b); Bates et al., *Analytical Narratives* (Princeton: Princeton University Press, 1998). Przeworski represents a special case, in that he does not favor giving primacy to any theory or method in an a priori fashion and has explicitly addressed the limitations of RCT. See Przeworski, "Marxism and Rational Choice," *Politics and Society* 14 (December 1985); and idem, contribution to Atul Kohli et al., "The Role of Theory in Comparative Politics: A Symposium," *World Politics* 48 (October 1995).

[5] Weingast (fn. 4, 1997a), 6; and idem (fn. 4, 1997b), 245–46.

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whereas the various other approaches used in the study of comparative politics have "accumulated . . . little theoretical . . . knowledge" and produced, at best, "ad hoc inductive generalizations."[6] Thus, it is hardly surprising that the debate about the status of game theory within comparative politics has been very heated and that considerable support has been gained by two equally implausible positions: that RCT and game theory provide the only path to theory building, thematic integration, and knowledge cumulation and thus that other, more established approaches should be abandoned; or that this new approach has nothing to offer students of comparative politics and therefore should be rejected out of hand.

This article seeks to move beyond this passionate but unenlightening exchange by providing an informed and balanced assessment of game theory that makes reference to game-theoretic research in comparative politics. It bears stressing at the outset, however, that the aim of this article is not to provide an assessment of the contributions game theorists have or have not made to our understanding of substantive issues. RCT and game theory have been used to study a number of central questions in comparative politics, so there is already a fairly long bibliography to assess. Nonetheless, there is also merit to Margaret Levi's observation that "empirical rational choice [research] in comparative . . . [politics] is in its relative infancy."[7] Thus, although empirical research is discussed as a way to identify some trends and illustrate some problems already clearly revealed in the RCT and game-theoretic literature in comparative politics, the aim of this article is not to render definitive judgments

[6] Geddes, "Paradigms and Sand Castles in Comparative Politics of Developing Areas," in William Crotty, ed., *Political Science: Looking to the Future* (Evanston, Ill.: Northwestern University Press, 1991), 2:46, 63–64; and idem, "Uses and Limitations of Rational Choice," in Peter H. Smith, ed., *Latin America in Comparative Perspective: New Approaches to Methods and Analysis* (Boulder, Colo.: Westview Press, 1995), 102. The tendency to overstate claims is not unique to the debate about rational choice theory and game theory in comparative politics. For similar statements in the context of American politics and international relations, see Riker, who links the possibility of progress in the social sciences directly to the use of rational choice models, and Niou and Ordeshook, who imply that research by formal theorists has a "solid scientific grounding," while the analysis of nonformal researchers amounts to "mere journalism." William H. Riker, "Political Science and Rational Choice," in James Alt and Kenneth Shepsle, eds., *Perspectives on Positive Political Economy* (Cambridge: Cambridge University Press, 1990), 177; Emerson M. S. Niou and Peter C. Ordeshook, "Return of the Luddites," *International Security* 24 (Fall 1999), 96. See also Bueno de Mesquita, who portrays game theory as a "social-scientific approach," which is contrasted to an inductive, historical approach that is deemed to suffer from a variety of theoretical and methodological flaws. Bueno de Mesquita, "The Benefits of a Social-Scientific Approach to Studying International Affairs," in Ngaire Woods, ed., *Explaining International Relations since 1945* (New York: Oxford University Press, 1996), 55, 57.

[7] Levi, "A Model, a Method, and a Map: Rational Choice in Comparative and Historical Analysis," in Mark Irving Lichbach and Alan S. Zuckerman, eds., *Comparative Politics: Rationality, Culture and Structure* (New York: Cambridge University Press, 1997), 36.

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about substantive contributions.[8] Rather, it focuses on the core principles of game theory in order to show how these principles determine both the potential uses of game theory and its limitations. This particular focus is key, because it draws attention to a frequently overlooked distinction between two elements combined in game-theoretic analysis: rational choice *theory* and a formal *methodology*.[9] Moreover, because different core principals are associated with these two elements, this basic approach to assessing game theory offers a sound basis for identifying and isolating distinct sources of strength and weakness, which all too often have been conflated and confused in the debate. In short, a focus on core principles is probably the best way to advance the debate.

To anticipate the basic thrust of this assessment: my views are decidedly mixed, as I identify both important strengths and significant shortcomings associated with game theory. With regard to the status of game theory as an extension of RCT to interdependent decision making, the focus of the first section of this article, the analysis sees game theory's emphasis on actors and strategic choices as an important strength. But even though game theory holds out the promise of contributing to a theory of action, the assessment offered here stresses the inability of game theory to provide a full explanation of actions and its lack of applicability in domains of great significance. It therefore calls

[8] For some early and preliminary efforts to take stock of the rational choice and game theory literature in comparative politics, see Bates, "Macropolitical Economy in the Field of Development," in Alt and Shepsle (fn. 6); idem (fn. 3, 1997); William Keech, Robert Bates, and Peter Lange, "Political Economy within Nations," in Crotty (fn. 6), 243–48; Geddes (fn. 6, 1995); Levi (fn. 7); and Rogers Brubaker and Laitin, "Ethnic and Nationalist Violence," *Annual Review of Sociology* 24 (1998), 437–41. See also Debra Friedman and Michael Hechter, "The Contribution of Rational Choice Theory to Macrosociological Research," *Sociological Theory* 6 (Fall 1988); idem, "The Comparative Advantage of Rational Choice Theory," in George Ritzer, ed., *Frontiers of Social Theory: The New Synthesis* (New York: Columbia University Press, 1990); and Hechter and Satoshi Kanazawa, "Sociological Rational Choice Theory," *Annual Review of Sociology* 23 (1997).

[9] Duncan Snidal, "The Game *Theory* of International Relations," *World Politics* 38 (October 1985), 25, 32–36; Ordeshook, "Engineering or Science: What Is the Study of Politics?" in Jeffrey Friedman, ed., *The Rational Choice Controversy: Economic Models of Politics Reconsidered* (New Haven: Yale University Press, 1996), 179; Niou and Ordeshook (fn. 6), 93. The rationale for drawing this distinction is quite simple. Game theory can be defined, in part, through its use of a formal methodology, which consists of a series of procedures for building formal models and deriving hypotheses about phenomena of interest to researchers. However, a formal methodology does not stand on its own, in that the solution of formal models requires the use of a theory—the theory of rational choice in the literature on game theory assessed here.

In addition to distinguishing two basic elements of game theory, this distinction between theory and method also helps to distinguish game theory from closely related approaches. On the one hand, the use of a formal methodology underlies the distinction between formal and "soft" versions of game theory. On the other hand, the use of rational choice theory underlies the distinction between "traditional" game theory, which subscribes to RCT, and other, newer variants of game theory, such as "evolutionary" game theory, which rely upon other behavioral assumptions. In these terms, the aim of this article is to assess traditional game theory that uses a formal methodology.

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into question standard claims about the theoretical strengths of game theory and points to the need for a broader theoretical framework.

The status of game theory as a form of theorizing that uses a formal methodology, discussed in the second section, is also associated with a valued feature: the ability to generate predictions in a logically rigorous and internally consistent manner. Nonetheless, the analysis shows, most importantly, that the failure of the procedures used in formal modeling to offer guidance pertaining to the first and most critical step in the process of modeling—the conceptualization of the model—calls into question common claims about the methodological strengths of game theory and points to the need for greater attention to standards for the assessment of concepts. Thus, as I argue in the conclusion, the challenge facing scholars in comparative politics is to consider the new perspectives offered by game theory and draw upon its strengths—but without losing sight of those old concerns in the social sciences that game theory is not suited to tackle.[10]

THE THEORY IN GAME THEORY: UNIVERSALISM AND ITS LIMITS

Game theory, with its emphasis on strategic choice, makes a significant programmatic promise: to contribute to the development of a theory of action. The importance of this programmatic goal is hard to overemphasize. Indeed, the agenda of game theory dovetails in many ways with recent critiques of structural forms of analysis and the broad-based turn toward actors and actions.[11] Relatedly, this emphasis on action is motivated by a parallel critique of correlational analysis and a recognition of the need to focus more explicitly on the processes and the mechanisms through which outcomes are generated.[12] The widespread recognition of the need for a theory of action notwithstanding, it is equally important to acknowledge that the RCT-based theory of action

[10] It is very hard to convey the strengths and weaknesses of game theory without offering an actual modeling exercise. Though this is precluded here for reasons of space, a companion book-length manuscript presents an extensive exercise in game-theoretic modeling.

[11] Elster, *Ulysses and the Sirens: Studies in Rationality and Irrationality* (New York: Cambridge University Press, 1979), viii–ix, 1, 28–35, 112–17; and idem, "Introduction," in Elster, ed., *Rational Choice* (New York: New York University Press, 1986), 22–23.

[12] James S. Coleman, "Social Theory, Social Research and a Theory of Action," *American Journal of Sociology* 91 (May 1986); idem, *Foundations of Social Theory* (Cambridge: Harvard University Press, 1990), chap. 1; Elster, *Nuts and Bolts for the Social Sciences* (New York: Cambridge University Press, 1989), chap. 1; idem, *Alchemies of the Mind: Studies in Rationality and the Emotions* (New York: Cambridge University Press, 1999), chap. 1; Peter Hedström and Richard Swedberg, "Social Mechanisms: An Introductory Essay," in Hedström and Swedberg, eds., *Social Mechanisms: An Analytical Approach to Social Theory* (New York: Cambridge University Press, 1998), 7–11, 15–17.

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proposed by game theorists has been the subject of quite divergent assessments.

There is little dispute concerning some matters. Thus, scholars broadly agree that the theory of action proposed by game theory has at its core a fairly simple structure, consisting of three building blocks. They agree that game theory is driven, first, by an understanding of the process of choice making based on the *expected utility model* of decision making. Second, game theory is seen as generating predictions by linking the analysis of choice making to the concept of *equilibrium.* Third, game theory is seen as treating the *rules of the game*—a phrase used to encompass the set of players in a game, the strategies or choices they confront, the way in which these choices are sequenced, the preferences of actors, and the information actors possess when they make their choices—as exogenous factors that are taken as given and assumed to remain constant. This much is uncontested. However, the commitment of game theorists to this set of theoretical principles is seen in a different light by different scholars.

On the one hand, some see these theoretical building blocks as a source of great strength. Because they are considered to be a coherent set of principles, they are seen as the basis for a rigorous, mathematical form of analysis that makes game theory, unlike other approaches, a *scientific* approach to theory building. Moreover, because these theoretical principles are considered to be universal principles and therefore not limited to any particular substantive domain, they are seen as offering a unifying principle that allows game theorists to *integrate research on diverse substantive issues* and produce a valued yet scarce commodity: *cumulative knowledge.*[13] On the other hand, all these claims rest on an assumption that is seriously challenged for each one of the theoretical building blocks of game theory: the assumption that game theory enjoys a special status as a totalizing theory, both in the sense that it is a *complete theory* that can stand on its own rather than a partial explanatory framework and in the sense that it has *universal scope,* that is, that it can be applied to all domains of research rather than being confined to certain spatial and temporal contexts.[14]

[13] For assessments that stress these strengths, see Riker (fn. 6), 177; George Tsebelis, *Nested Games: Rational Choice in Comparative Politics* (Berkeley: University of California Press, 1990), 42–43; Geddes (fn. 6, 1991), 63–67; idem (fn. 6, 1995), 100–102; James D. Morrow, *Game Theory for Political Scientists* (Princeton: Princeton University Press, 1994), 6–7; and Levi (fn. 7), 20.

[14] Donald Green and Ian Shapiro, *Pathologies of Rational Choice: A Critique of Applications in Political Science* (New Haven: Yale University Press, 1994), 23–29, 183–88, 192–94; idem, "Pathologies Revisited: Reflections on Our Critics," in Friedman (fn. 9), 261–68; Daniel M. Hausman, *The Inexact and Separate Science of Economics* (New York: Cambridge University Press, 1992), 90–101, 224–26, 270–74.

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The issues at stake in these two counterposed assessments of the theory of action offered by game theory are quite complex. Thus, facile defenses and criticisms of game theory usually miss the mark. But the demonstrable evidence about the limits of game theory is also very compelling, as it raises serious questions about its alleged status as a complete, universally applicable theory. Indeed, criticisms of the claim that game theory enjoys a special status as a totalizing theory are hard to ignore and present game theorists with an important option. They may adopt either a *purist* position, which essentially ignores evidence about the limits of game theory, or a *pragmatist* position, which takes this evidence seriously and is thus more defensible, but which thereby opens the door to a series of new problems. (See Table 1).

The Expected Utility Model

The first challenge to the status of game theory as a universal theory comes mainly in the form of research by cognitive psychologists, who have questioned the expected utility model used in game theory to analyze decision making. There is strong empirical evidence to challenge the behavioral assumption that actors are utility maximizers. Indeed, several decades of research have offered evidence that is hard to ignore.[15] Yet the response of game theorists to this criticism has varied considerably.

One response takes the form of Milton Friedman's classic "as if" argument and summarily dismisses this entire line of criticism. The only thing that matters for these game theorists is a model's predictions and that the alleged universalism of the expected utility model provides a basis for making predictions.[16] Thus, it is of no consequence that these predictions are based on assumptions about behavior that may be "wildly inaccurate descriptive representations of reality."[17] The simplicity and coherence of a theory that allows for prediction trumps any concerns about the realism of the expected utility model.

The value of predictions notwithstanding, the deeply problematic nature of this purist response amounts to nothing short of outright de-

[15] Jennifer J. Halpern and Robert N. Stern, eds., *Debating Rationality* (Ithaca, N.Y.: Cornell University Press, 1998). For a summary of the critique of rational choice theory by psychologists, see Rebecca B. Morton, *Methods and Models: A Guide to the Empirical Analysis of Formal Models in Political Science* (New York: Cambridge University Press, 1999), 84–93; and Arthur A. Stein, "The Limits of Strategic Choice: Constrained Rationality and Incomplete Explanation," in David A. Lake and Robert Powell, eds., *Strategic Choice and International Relations* (Princeton: Princeton University Press, 1999), 210–17.

[16] Elster (fn. 11, 1979), viii–ix, 112–13; and idem (fn. 11, 1986) 4, 22, 26–27.

[17] Friedman, "The Methodology of Positive Economics," in Friedman, ed., *Essays in Positive Economics* (Chicago: University of Chicago Press, 1953), 14.

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TABLE 1
THE THEORETICAL BUILDING BLOCKS OF GAME THEORY AND THEIR LIMITATIONS: PURIST AND PRAGMATIST RESPONSES

Theoretical Building Blocks	*Limitations*	*Responses to Limitations*
Expected utility model	lack of realism of the expected utility model of decision making	purist: ignores contrary evidence about theoretical assumption pragmatist: restricts use of theory to appropriate domain (segmented universalism)
Concept of equilibrium	indeterminacy, that is, the inability to always generate unique predictions	purist: saves theory by changing the model pragmatist: restricts use of theory to appropriate domain (segmented universalism) or generate determinacy with factors outside of theory (partial universalism)
Rules of the game	status of the rules of the game as exogenous factors taken as given and constant	purist: ignores contrary evidence about a theoretical assumption pragmatist: restricts use of theory to appropriate domain (segmented universalism) and explains givens with factors outside of theory (partial univeralism)

nial of the problem. Thus, some critics rightly see it as an alarming sign of dogmatism.[18] But this discomfort with the view of purists is not restricted to critics. Indeed, even advocates of game theory have found such views somewhat extreme and have sought a less assailable defense of the expected utility model, arguing that it should be considered, more modestly, as a useful approximation of the manner in which actors make decisions in some contexts but not in others.[19]

This pragmatic response gets around charges of dogmatism by tempering the assumption of universal applicability. But this new position,

[18] Hausman (fn. 14), chap. 13, 256–57, 274.
[19] Morton (fn. 15), 77–79.

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which Donald Green and Ian Shapiro capture nicely with the appropriately oxymoronic label of *segmented universalism*, generates its own problems.[20] First, game theorists who adopt this position must contend with the complex problem of domain specification, the formulation of criteria for identifying domains where game theory is deemed applicable.[21] And because game theory's core theoretical principles are explicitly abstracted from context and deny its importance, this means that a critical task cannot be addressed with the tools of game theory. Second, the decision to restrict the application of game theory to certain appropriate domains undermines an important claim about game theory—that it offers a unifying thread that might provide an unrivaled basis for the integration and cumulation of knowledge.

In sum, questions about the realism of the expected utility model of decision making point to an important tension in game theory that has forced game theorists to adopt two different responses, each fraught with its own set of problems. The purists uphold the universality of this principle and hence defend the strengths of game theory by overtly rejecting considerable contrary evidence about the way in which actors make choices. By contrast, the pragmatists offer a more defensible response, but with vast consequences for their theory. Indeed, their response to criticisms of the expected utility model undermines the source of strength of the theory they use. Thus, the debate about the expected utility model suggests that game theorists face a severe internal dilemma—even if they do not always fully recognize it. Moreover, as the ensuing discussion shows, further questions about other theoretical building blocks of game theory only exacerbate this dilemma and increase the distance between the purist's unbudging defense of game theory and the pragmatist's recognition of its limits.

The Concept of Equilibrium

A second challenge to the claims of game theory concerns the use of the concept of equilibrium. Its role in game theory is pretty straightforward: to provide a precise criterion for identifying which choices, from

[20] Green and Shapiro (fn. 14, 1994), 27–28.

[21] Though many scholars have dedicated some thought to the problem of domain specification, currently there does not appear to be a consensus about the domains where the behavioral assumptions of the expected utility model hold. Compare, for example, Elster, *Solomonic Judgements: Studies in the Limitation of Rationality* (New York: Cambridge University Press, 1989), 26–27; Tsebelis (fn. 13), 36, 38; Morris P. Fiorina, "Rational Choice, Empirical Contributions, and the Scientific Enterprise," in Friedman (fn. 9), 88; John A. Ferejohn and Debra Satz, "Unification, Universalism, and Rational Choice Theory," in Friedman (fn. 9), 78; Robert E. Lane, "What Rational Choice Explains," in Friedman (fn. 9), 108–9; Michael Taylor, "When Rationality Fails," in Friedman (fn. 9), 225–28; Green and Shapiro (fn. 14, 1994), 27–28; and idem (fn. 14, 1996), 267, 254–55.

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a set of possible choices, actors should pursue in light of the behavioral assumptions of the expected utility model. Thus, this concept connects the analysis of the process of choice to the ultimate goal of game theory: generating predictions. However, the use of the concept of equilibrium is greatly complicated because, as game theorists have long recognized, models do not always have one equilibrium, a situation usually presented as the ideal game theorists should strive for and the standard by which the theoretical power of game theory is measured.[22] Indeed, game-theoretic models often give rise to more than one equilibrium or to no equilibria at all.[23]

The failure of game-theoretic models to generate a unique prediction is a source of some insight. After all, this result does provide a means of eliminating many possible choices or outcomes from the entire set of choices and outcomes that are considered or, alternatively, of identifying those situations in which the maximization of expected utility ceases to offer strong guidance to actors. But the lack of determinacy in the predictions offered by game theory is an important limitation of game theory. It suggests that even in those domains where the application of the expected utility model is deemed appropriate, game theory may not necessarily provide a complete explanation.[24]

Once again, game theorists respond to this limitation in two quite different ways. Some are reluctant to acknowledge this limitation at all. Indeed, they suggest that game theorists should not "build models so complex that they cannot yield predictions" and, when faced with models that do not have unique predictions, should consider "changing the model to a model that does predict equilibria."[25] This purist response thus amounts to a post hoc effort at theory saving—a deeply problematic practice.

But game theorists have also articulated more moderate, pragmatic responses. On the one hand, pragmatists have sought to circumvent the lack of determinate predictions by restricting the use of game theory to those domains where it does yield unique predictions. As with similar efforts with regard to the expected utility model, however, the retreat to a position of segmented universalism is not without its costs—even if it is more defensible than the purist response. First, this response forces game theorists, once again, to address the complex task of domain

[22] Elster (fn. 21), 7–8; Morton (fn. 15), 165.

[23] Elster (fn. 11, 1979), 118–23; idem (fn. 12, 1989), chaps. 4, 11; idem (fn. 21), 7–17.

[24] David M. Kreps, *Game Theory and Economic Modelling* (New York: Oxford University Press, 1990), 97; Elster (fn. 11, 1979), 123; idem (fn. 12, 1989), 110; idem (fn. 21), 26–27; Morrow (fn. 13), 306–7.

[25] Morton (fn. 15), 163, 208.

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specification.[26] In addition, this response might restrict game theory to a very narrow domain.[27] Indeed, "situations of the slightest complexity are plagued by multiple equilibria" and models of fundamental issues such as redistributive politics are prone to result in no equilibria at all.[28] Thus, this response could severely limit the theoretical scope of game theory and seriously undermine the claim that game theory offers a set of principles uniquely suited to the integration of research on a broad range of substantive issues and the cumulation of knowledge.

On the other hand, pragmatists have responded to the problem of indeterminate predictions by retreating to a position of *partial universalism,*[29] which entails a recognition that game theory cannot offer complete explanations and must be supplemented by other theories.[30] As attractive as this option may sound, it is deeply problematic from the perspective of game theory. Most fundamentally, the recourse to non-game-theoretic factors virtually ensures that the coherence of game theory will be shattered, thus turning the search for full explanations into an ad hoc affair. This is the case with efforts to solve the problem of multiple equilibria by invoking Thomas Schelling's concept of focal points.[31] Even more importantly, this is the case with the whole enterprise of "equilibrium refinements," which addresses a critical question—how to choose among multiple equilibria—with criteria that do not come from game theory proper and that are introduced as an afterthought.[32] The retreat to a position of partial universalism thus jeopardizes the claims that game theory offers a scientific approach to theory building.

[26] Though the task of domain specification concerning the applicability of the expected utility model must be addressed outside of game theory, the domains where game theory yields unique predictions can be determined with the tools of game theory. Thus, this task is less demanding and less of a challenge to game theory.

[27] In light of the problem of indeterminate predictions, Elster suggests that the use of game theory should be restricted to the local, partial, and short-term effects of choice, as opposed to the global, net, and long-term effects of choice. Elster (fn. 21), 181–94. See also James D. Fearon, "Causes and Counterfactuals in Social Science: Exploring an Analogy between Cellular Automata and Historical Processes," in Philip E. Tetlock and Aaron Belkin, eds., *Counterfactual Thought Experiments in World Politics: Logical, Methodological, and Psychological Perspectives* (Princeton: Princeton University Press, 1996); and Riker (fn. 6), 169–72.

[28] Stein (fn. 15), 218. See also Stephen M. Walt, "Rigor or Rigor Mortis? Rational Choice and Security Studies," *International Security* 23 (Spring 1999), 18–19; and Douglas W. Rae and Eric Schickler, "Majority Rule," in Mueller (fn. 2), 175.

[29] Green and Shapiro (fn. 14, 1994), 26–27.

[30] Ferejohn, "Rationality and Interpretation: Parliamentary Elections in Early Stuart England," in Kristen Renwick Monroe, ed., *The Economic Approach to Politics* (New York: Harper Collins, 1991).

[31] Schelling, *The Strategy of Conflict* (Cambridge: Harvard University Press, 1980).

[32] On the problematic nature of equilibrium refinements, see Kreps (fn. 24), 104, 108–14; Walt (fn. 28), 19; and Stein (fn. 15), 217–19.

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The Rules of the Game

A third challenge to the claims made on behalf of game theory concerns the rules of the game—the set of players in a game, the strategies or choices they confront, the way these choices are sequenced, the preferences of actors, and the information actors possess when they make their choices.[33] This set of factors plays a fundamental role in game-theoretic analysis. However, because the rules of the game are taken to be exogenous and hence assumed to be given and to remain constant, they yield a limitation even more significant than those discussed above.

Part of the problem is that taking the rules of the game as *given* implies that factors that shoulder a lot of the explanatory burden are not considered part of the game proper.[34] Thus, for all the insight game theory is able to offer about how actors make choices in a certain situation, that is, *how* a game is played, it leaves unanswered a critical question: *why* is one game, as opposed to a range of other conceivable games, played *when* it is? The explanations game theorists can offer are therefore, at best, conspicuously incomplete. This challenge to the theoretical power of game theory has not gone unnoticed or uncontested. Thus, various game theorists have argued that givens do not in themselves constitute a major theoretical problem, because "what is taken as exogenous in one context might be 'problematized' and investigated in another."[35] This ingenious response should not be dismissed lightly. At the very least, it underscores the potential versatility of game theory and the danger of jumping to negative conclusions about it.

Nonetheless, this way around the problem ultimately fails, for two reasons. First, even though factors taken as givens in one game might be explained to a certain extent in terms of another game, there are limits to this effort.[36] Indeed, the primacy given to the principle of means-ends rationality restricts the theoretical elements in the arsenal of game theorists and forces analysts interested in accounting for the rules of the game to go outside game theory in search of supplemental answers. Second, and more seriously, the proposal to bracket the concern about givens and to treat them in isolation from the game proper hinges on

[33] Tsebelis (fn. 13), 93. See also Kreps (fn. 24), 128–32, 182–83.

[34] Johannes Berger and Claus Offe, "Functionalism vs. Rational Choice: Some Questions Concerning the Rationality of Choosing One or the Other," *Theory and Society* 11 (July 1982), 525.

[35] Jeffry A. Frieden, "Actors and Preferences in International Relations," in Lake and Powell (fn. 15), 46, 44. See also Lake and Powell, "International Relations: A Strategic-Choice Approach," in Lake and Powell (fn. 15), 15, 17–20, 31–34.

[36] Kreps (fn. 24), 128–32; Herbert Kitschelt, "Comparative Historical Research and Rational Choice Theory: The Case of Transitions to Democracy," *Theory and Society* 22 (June 1993), 415.

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the assumption that the rules of the game do not vary but are fixed or *constant,* at least during the course of the game. Yet this fundamental assumption of game theory has been questioned by authors as diverse as Marx, Riker, and current-day constructivists, all of whom raise the simple but extremely critical point that actors behave in manners that can be characterized as rule-bound but that they also engage in rule-shattering and rule-making behavior.[37] Indeed, the assumption that actors as a rule abide by rules is hard to defend. And given the critical role of this assumption in the theoretical foundations of game theory, the significance of this qualification is hard to exaggerate.

The responses by game theorists to this issue, too, vary in interesting ways. The purists simply disregard evidence about the unstable nature of the rules of the game. Moreover, either they brush aside any concern about givens and thus ignore the obvious theoretical weight assigned to factors taken as given in game theory, or they insist that these givens can be fully explained within the framework of game theory and hence overstate the explanatory power of instrumental rationality. The pragmatists, by contrast, acknowledge the problems with the purists' position. Their response comes at a huge cost, however. In seeking to explain elements taken as given by drawing on theories beyond game theory, they open up a potentially fruitful agenda for research. But at the same time this acknowledgment of partial universalism greatly restricts the explanatory power of game theory.[38] In turn, with this admission that the rules of the game cannot always be treated as constants and that the application of game theory should thus be restricted to domains usually described as "structured"[39] comes a host of additional problems. First, the identification of such domains hinges on the viability of conceptualizing processes of strategic interactions as closed systems—a highly questionable assumption. Second, this retreat to a position of segmented universalism would most likely constrain the scope of game theory even more than would similar efforts at domain specification discussed above. Indeed, these limitations probably constitute the single most powerful challenge to claims about the strengths of game theory.

To recapitulate, while the key programmatic goal of game theory is to develop a theory of action, the proposed theory has been subjected to

[37] Elster (fn. 11, 1979), 107–11; Stein (fn. 15), 220–22.

[38] Threats to the internal coherence of game theory—a key weakness of the position of partial universalism—are possibly less of a concern in this context. This is so because the articulation of different approaches does not involve a complex process of interaction, as occurs in the context of games that yield indeterminate results, but involves rather an additive process, in which non-game-theoretic approaches are used to explain the basic inputs of a game.

[39] Ferejohn and Satz (fn. 21), 78; Friedman and Hechter (fn. 8), 214.

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serious criticism. Indeed, the alleged source of the strengths of game theory—the assumption that it is a complete rather than a partial explanatory framework and that it can be applied to all domains of research rather than being confined to certain spatial and temporal contexts—is seriously challenged in every one of its theoretical building blocks. Interestingly, these challenges create a dilemma for game theorists, who are forced to choose between responses that have opposite strengths and weaknesses (see Table 2).

The purist response to these challenges is the more simple but also the more problematic. Essentially, the claims about the strengths of game theory are defended by turning a blind eye to considerable contrary evidence. In contrast, the pragmatist response is more complex and defensible. It acknowledges the limits of game theory and thus rests on assumptions that are more valid and that avoid the problems that undermine the purist position. However, because pragmatist game theorists continue to promote the core principles of game theory as the anchor of their theory-building efforts and thus remain reluctant to push their admission about the limits of game theory to its logical conclusion and to focus on developing a broader theoretical framework that better fulfills game theory's promise of contributing to a theory of action, they make a big concession. Indeed, by retreating from the self-confident view of game theory that is the trademark of purist game theorists, pragmatists in effect forfeit the basis for the standard claims about game theory.[40]

Purist and Pragmatist Positions in Comparative Politics

Attempts to use game theory in the field of comparative politics have had to grapple with challenges to the core theoretical principles of game theory, and thus it is hardly surprising to find both purist and pragmatist positions in this literature. The purist position is most evident and widespread with regard to the first building block of game theory: its reliance on the expected utility model. Indeed, efforts to use game theory in comparative politics have for all practical purposes ignored the entire debate about the expected utility model and proceeded to use the rational actor model without giving much thought to its significant limitations.[41] But various authors take the purist position further. In some

[40] The need to go beyond game theory is not always equally pressing. On the one hand, the reliance on supplementary approaches is necessary when game theorists confront the problem of indeterminacy. On the other hand, when it comes to the rules of the game, a game-theoretic analysis, though incomplete, can stand on its own.

[41] To give but one prominent example, this is a point made about Bates et al. (fn. 4) by Elster, "Rational Choice History: A Case of Excessive Ambition," *American Political Science Review* 94 (September 2000).

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TABLE 2
THE THEORY IN GAME THEORY

	Assumptions about Theoretical Building Blocks	*Strengths*	*Weaknesses*
Purist position	universal scope (universalism)	unrestricted domain of application integration of research on different substantive issues and knowledge cumulation	lack of validity of assumption
	complete theory (universalism)	theoretical coherence: scientific approach to theory building	lack of validity of assumption
Pragmatist position	limited scope (segmented universalism)	validity of assumption	restricted domain of application inability to link theorizing about various substantive issues and hence offer a basis for knowledge cumulation
	incomplete theory (partial universalism)	validity of assumption	restricted explanatory power ad hoc linkage with supplementary explanatory factors and hence lack of coherence of theory

instances applications of game theory show remarkably little concern for justifying the domain to which it is applied. In others game theory is presented as a complete theory, even when the complexity of the phenomenon under consideration suggests the likelihood of indeterminacy or when the status of the rules of the game as given calls for some accounting. In some extreme cases, advocates of game theory go so far as to explicitly resist suggestions that game theorists might want to combine game theory with other approaches, even when these other approaches are seen only as supplements to game theory.[42] In short, game theorists

[42] Youssef Cohen, for example, argues explicitly against the value of structural and institutional approaches; Cohen, *Radicals, Reformers, and Reactionaries: The Prisoner's Dilemma and the Collapse of Democracy in Latin America* (Chicago: University of Chicago Press, 1994), chaps. 2, 4.

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in comparative politics have tended to adopt a purist response in the face of challenges to the theoretical principles of game theory.

Fortunately, some game theorists in comparative politics have taken a more pragmatic tack in light of the well established limits of game theory—not only acknowledging the lack of universal applicability of game theory but also seeking to identify its appropriate domain. George Tsebelis provides a noteworthy attempt to address the limits of the expected utility model as a tool for analyzing decision making. He writes that "rational choice cannot claim to explain all human behavior" and tries to identify five criteria that define the domain within which the rational actor model can be considered "a legitimate approximation of real processes."[43] In turn, Geddes follows Riker and Elster in suggesting that game theorists focus on small rather than big questions, a useful recommendation for restricting game theory to certain domains of research so as to avoid the problem of indeterminacy that emerges in the analysis of equilibria.[44] Finally, Robert Bates's statement that game theory "appears best able to provide the foundations for scientific inquiry when applied to highly structured settings" demonstrates a sensitivity to the need to ensure that the assumption that the rules of the game are constant factors is justified.[45]

Along the same lines, game theorists in comparative politics have also acknowledged the incomplete nature of game theory and suggested how other approaches might be used to supplement it. Considering this issue in broad terms, Bates, Rui de Figueiredo, and Weingast suggest "the possibility of combining [game theory] with alternative approaches," such as "cultural modes of analysis" or structural approaches.[46] But more specific suggestions have also been offered. Noting that game theory does not always generate unique predictions, various authors have suggested that a range of factors—from ideas and norms to institutions and legacies—may explain the choices actors make in games with multiple equilibria, usually by providing focal points.[47] In turn, others focus on the shortcoming associated with game

[43] Tsebelis (fn. 13), 38, 33–39.

[44] Geddes (fn. 6, 1991), 67–69; Riker (fn. 6), 169–72; Elster (fn. 21), 181–94.

[45] Bates (fn. 3, 1997), 704. See also Tsebelis (fn. 13), 32; and Levi (fn. 7), 25.

[46] Bates, de Figueiredo, and Weingast, "The Politics of Interpretation: Rationality, Culture, and Transition," *Politics and Society* 26 (December 1998), 603. See also Laitin, "Game Theory and Culture," *APSA-CP: Newsletter of the APSA Organized Section in Comparative Politics* 8 (Summer 1997), 9–11; and Bates (fn. 3, 1997).

[47] Levi, "Producing an Analytical Narrative," in Bowen and Petersen (fn. 3), 168; idem (fn. 7), 30; Weingast (fn. 4, 1997b), 257; Laitin, "Post Soviet Area Studies," *APSA-CP: Newsletter of the APSA Organized Section in Comparative Politics* 10 (Summer 1999), 30; Gary W. Cox, *Making Votes Count: Strategic Coordination in the World's Electoral Systems* (New York: Cambridge University Press, 1997), 186.

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theory's reliance on rules of the game as givens and suggest that it may be possible to explain significant factors, such as the beliefs of actors and hence the information they possess, by drawing on an interpretivist approach.[48]

Although these efforts to articulate a pragmatist approach to game theory are welcome, lingering problems hamper such efforts. One such problem is the failure to clarify how game theory is to be used if its core theoretical principles are assumed to have a *limited scope.* On the one hand, despite some efforts, little progress has been made in formulating clear criteria for identifying the appropriate domain of game theory. Indeed, the literature is full of vague and contradictory advice. Thus, while Tsebelis suggests that game theory works better when applied to elites than to masses, Elster warns that it may be ill suited to games with a small number of actors.[49] Likewise, whereas Geddes suggests that game theorists should focus on small rather than big questions, Levi suggests that "scholars can still ask big questions, but only certain kinds of big questions," and Elster for his part recommends applying game theory not to small or big problems but rather to "medium-sized problems."[50] Finally, even publications by the same author written at about the same time offer radically different advice.[51] On the other hand, these criteria have not been applied with much consistency. Thus, the connection between statements about domain restrictions and the research problems actually studied may be very tenuous.[52] Or game theory may be applied to large-scale historical phenomena or processes of macrostructural change, domains that far exceed the theoretical scope of game theory. Indeed, the tendency to overreach in the application of game theory is quite pervasive.[53]

The failure of game theorists to tackle the problem of domain specification with clarity and consistency is not insurmountable. But if

[48] Bates, de Figueiredo, and Weingast (fn. 46), 628–36.

[49] Tsebelis (fn. 13), 38; Elster (fn. 21), 27.

[50] Geddes (fn. 6, 1991), 67–69; Levi (fn. 7), 32; Elster (fn. 21), 26–27.

[51] For example, compare Bates's call to focus on "highly structured settings" with the analysis provided by Bates, de Figueiredo, and Weingast: Bates (fn. 3, 1997), 704; Bates, de Figueiredo, and Weingast (fn. 46), 635.

[52] An example of such a disconnect is Geddes' analysis of transitions from nondemocratic regimes. Geddes, "What Do We Know about Democratization after Twenty Years?" *Annual Review of Political Science* 2 (Palo Alto, Calif.: Annual Reviews, 1999), 125–30. It is unclear in what way this is the kind of small question she suggests as appropriate for game theory in Geddes (fn. 6, 1991), 67–69.

[53] An example of this tendency is Bates, de Figueiredo, and Weingast (fn. 46). Though these authors are interested in changes in "the very structure of politics," all they do to capture this feature is acknowledge that actors possess incomplete information (pp. 613–14). Thus, the key fact—that the political transitions they study violate game theory's assumption that the rules of the game are constant—goes unaddressed. A similar point is made by Elster (fn. 41) concerning Bates et al. (fn. 4).

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pragmatic game theorists are ever to respond adequately to this problem, they will have to come to terms with the implications of their rejection of the assumption that the core theoretical principles are universally applicable. This means, quite simply, accepting the reality that some important substantive issues or some key aspects of important issues may lie beyond the purview of game theory. However, this is a conclusion that the pragmatists are reluctant to embrace.

A second and more important lingering problem concerns the fact that the core principles of game theory offer only an *incomplete theory*. In some contexts this assumption generates an insurmountable problem. Thus, efforts to formulate a coherent basis for linking game theory to other approaches in the context of games that yield indeterminate results are doomed because the primacy given to game theory means that other factors are treated as residual and necessarily invoked in an ad hoc fashion. The implication is clear: any effort to link game theory systematically to other factors must take as its point of departure a framework that is broader than game theory. But, again, this is a conclusion that pragmatist game theorists have been reluctant to accept. Indeed, given that the standard practice has followed Levi's recommendation that "to get at these [other] factors, we need to turn to the specifics of the case" under consideration,[54] it is hardly surprising that the problem of indeterminacy undermines the ability of game theorists to offer coherent theoretical accounts.

The nature of the problem is different when the concern turns to an accounting of the rules of the game. In this case the connection between game theory and other approaches is, in principle, greatly facilitated because the explanatory impact of each of the different theories can at least in part be neatly segregated. Indeed, combining game-theoretic arguments with the institutional, structural, and cultural factors that are usually invoked to account for the rules of the game might actually be relatively uncomplicated. However, even if the pitfall of theoretical incoherence is potentially avoidable in this context, the assumption that game theory is an incomplete theory has another, very costly implication. That is, as the rules of the game are explained by other theoretical approaches, it is legitimate to question the value added of game theory—a point made by various scholars with regard to the study of revolutions and transitions to democracy.[55] Thus, theo-

[54] Levi (fn. 47), 168.

[55] Theda Skocpol, *Social Revolutions in the Modern World* (New York: Cambridge University Press, 1994), 325; Kitschelt (fn. 36).

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retical coherence may be retained, but the explanatory power of game theory—being an incomplete theory—is greatly restricted.

In conclusion, attempts to use game theory in comparative politics face an assortment of challenges. Whereas purists confront the obvious problem of ignoring a significant body of evidence, the pragmatists, having retreated from a position of unbridled universalism, are forced to concede that game theory is not a complete theory of everything even though it anchors their efforts at theory building. The latter therefore put themselves in a deeply ambiguous position. Indeed, to bring their work into conformity with their assumptions, they would have to (1) apply game theory to a fairly restricted domain, (2) recognize that even in those domains where game theory can be legitimately applied, it may not provide the basis for a theoretically coherent explanation, and (3) admit that even when game theory does generate a coherent explanation, the value added may be relatively minor. In short to ensure the validity of their assumptions the pragmatists must sacrifice the very theoretical strengths supposedly associated with game theory (see Table 2); but in remaining committed to game theory, they fail to overcome the acknowledged limits of game theory by developing a new and broader theory of action.

The Formal Methodology in Game Theory: Modeling and Its Limits

In addition to considering game theory in light of its *rational choice theoretical principles,* a comprehensive assessment of game theory must also evaluate its use of a *formal methodology.* These two aspects of game theory are usually combined in game-theoretic work, and the distinction can be hard to perceive. Nonetheless, these two aspects of game theory play a different role in game-theoretic analysis and raise distinct issues. Briefly, the theoretical principles used in game theory are explicitly formulated so as not to reflect the specifics of any substantive issue and therefore to be applicable across substantive issues. In contrast, the use of formal methodology or formal modeling in game theory is inextricably linked with substantive issues, because the goal of this methodology is precisely to link the principles of rational choice theory to the analysis of substantive issues. Thus, it is important to consider the distinct issues associated with the use of a formal methodology.

To organize this assessment, the process of formal modeling is disaggregated into three steps: constructing, solving, and testing models, as follows:

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—*Constructing the model.* Game-theoretic models are constructed through a specification of (1) the actors that play the game, (2) the sequence of choices actors face, (3) the information actors have about the game, (4) all the logically possible outcomes of the game, and (5) preferences over all outcomes of all actors.

—*Solving the model.* Models are solved through an analysis of equilibria that solves the game by identifying the set of strategies, supported by certain beliefs, that actors seeking to maximize expected utility have no incentive to change.

—*Testing the model.* Models are tested through an empirical assessment of hypotheses derived from the analysis of equilibria.

This approach offers a basis for distinguishing tasks of the modeling process that are closely regimented by game theory from those tasks about which game theory is partly or completely silent. And it offers a useful framework for identifying the methodological strengths and weaknesses of game theory.

Constructing the Model

Game theory offers guidance concerning the construction of models in two ways. First, it indicates clearly the elements necessary for building a complete model. This guidance provides a benchmark for assessing matters of model specification and aids analysts in the detection of problems of misspecification (the incorporation of the wrong element into a model) or problems of underspecification (the omission of relevant elements from the model). This helps ensure that important elements, such as the preferences of all actors with regard to all possible outcomes, are not omitted from a model. Indeed, as Scott Gates and Brian Humes suggest, specification problems "can be avoided to a large degree by using game theoretic models as they should be used."[56] Thus, the identification of a set of elements that should be included in a model is important advice, especially in light of the tendency of game theorists to build models that are incomplete.[57]

A second way in which game theory offers guidance for constructing models is through its catalog of well-known, ready-made 2 × 2 matrix-form games,[58] the benefits of which are noteworthy. First, these

[56] Gates and Humes (fn. 2), 10–11.

[57] As Gates and Humes note, Przeworski fails to provide the payoffs for one of the actors in his game-theoretic model, thus preventing a formal analysis of equilibria; see Gates and Humes (fn. 2), 113–24; Przeworski (fn. 3), 61–66. This advice also applies to "soft" rational choice theorists, who do not construct formal models and who are even more prone to problems of underspecification.

[58] For a complete list of these games, see Anatol Rapoport, *Two-Person Game Theory* (Ann Arbor: University of Michigan Press, 1966); and Steven J. Brams, *Theory of Moves* (New York: Cambridge University Press, 1994), 215–19.

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games contain the essential elements needed for a game-theoretic analysis—the actors, their choices, and the payoffs associated with all outcomes—and therefore ensure that underspecification is avoided. Second, because these games are preconstructed, it is relatively easy to use them. Indeed once an analyst has knowledge of standard matrix-form games (available in any introductory text on game theory), he or she need only determine which game best captures the strategic interaction of the phenomenon of interest. Third, the payoffs appear to be quite great, as game theory holds out the promise of a codification of knowledge through the identification of a manageable set of templates that can be applied across a large range of phenomena. Thus, as Schelling writes, the use of matrix-form games might allow researchers to create "a catalogue of social mechanisms," that is, something akin to a chemical table of elements for the social sciences.[59] It is no wonder, then, that many comparativists have followed this seductive path.

But advocates of game theory have also criticized this type of game theory. As David Kreps argues, the standard matrix-form games typically used in these exercises, such as Prisoners' Dilemma, Chicken, and Assurance, are not of much use because they tend to be based on "wild (and largely useless) over-simplification."[60] Thus, this approach to game theory is associated with a tendency to ignore much of the unavoidable complexity of political phenomena. Moreover, as Gates and Humes state, simply "fitting the structure of some preexisting game theoretic model to a particular situation . . . does not generate new explanations or predictions."[61] Rather, this approach often tends merely to translate existing knowledge into game-theoretic language or, as Stephen Walt argues, to put "old wine in new bottles."[62] Finally, and ultimately more important, this use of "off the shelf" models as the basis for the standardization and cumulation of knowledge clashes with the creative energy of scholars who use game theory to produce novel conceptualizations.[63]

The recognition that modeling is more than a scripted procedure and that it can be used in creative and theoretically innovative ways

[59] Schelling, "Social Mechanisms and Social Dynamics," in Hedström and Swedberg (fn. 12), 40, 37–43; idem, *Micromotives and Macrobehavior* (New York: W. W. Norton, 1978), 42, 89–91.

[60] Kreps (fn. 24), 41, 37–40.

[61] Gates and Humes (fn. 2), 7, 12. See also Snidal (fn. 9), 26–27, 29–30.

[62] Walt (fn. 28), 26–31. Examples of this type of game theory in comparative politics include Josep M. Colomer, "Transitions by Agreement: Modeling the Spanish Way," *American Political Science Review* 85 (December 1991); idem, *Game Theory and the Transition to Democracy: The Spanish Model* (Aldershot, England: Edward Elgar, 1995); Cohen (fn. 42); and Geddes (fn. 52), 121–30.

[63] Laitin (fn. 47), 33.

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opens the door to a new perspective on the practice of modeling. It highlights the versatility of game theory, restricted though it is by its commitment to the set of theoretical principles discussed in the previous section. Moreover, it draws attention to how modeling, for all its emphasis on technique, is really not different from any other approach to theorizing. A formal methodology, then, is merely a tool, in the sense that "theories are formalized . . . *after* they have been created by intuition and insight."[64] Most critically, as Robert Powell emphasizes, this perspective highlights how "the modeling enterprise is an iterative procedure or dialogue in which research moves back and forth between a more theoretical realm and a more empirical realm" and how "ideas about possible explanations of empirical phenomena" drive the modeling process.[65] Thus, that some researchers use game-theoretic models in a formulaic manner should not obscure the fact that modeling can also be a tool for very creative forms of theorizing.

The creative use of models, however, opens new questions about the guidance offered by game theory concerning the construction of models. The more modeling is used to break new ground, the more relevant is James Morrow's statement that "the single most important decision in modeling is the design of the game."[66] Thus, used creatively, models will reflect the way researchers conceptualize an empirical phenomenon and the particular cases they know or observe, and hence will inevitably differ in terms of the *conceptual elements* they highlight and the *scope of cases* they encompass. In this respect, modeling is like any other form of innovative theorizing: it introduces different conceptual elements and/or alters the empirical scope of prior conceptualizations and thus produces a fair amount of conceptual disorder. But game theory does not offer any explicit guidance concerning how to manage the inherent tension between conceptual creativity and conceptual order. Thus, the widespread insistence by advocates notwithstanding, it is an overstatement to claim that game theory, in contrast to other approaches to theorizing, is uniquely capable of generating *general* theories of clearly stated *scope* that *cumulate* in an orderly fashion.[67]

[64] Jonathan Turner, "The Failure of Sociology to Institutionalize Cumulative Theorizing," in Jerald Hage, ed., *Formal Theory in Sociology: Opportunity or Pitfall?* (New York: State University of New York Press, 1994), 43. See also Bueno de Mesquita (fn. 6), 51.

[65] Powell, *In the Shadow of Power: States and Strategies in International Relations* (Princeton: Princeton University Press, 1999), 28.

[66] Morrow (fn. 13), 57.

[67] The claims to generality are made by Kreps (fn. 24), 6–7; Gates and Humes (fn. 2), 7; and Levi (fn. 7), 20. The claim that modeling generates statements of clear scope is emphasized in Levi (fn. 7), 20; and Geddes, "Comparisons in the Context of a Game Theoretic Argument," in Bowen and Petersen (fn. 3), 201. The link between modeling and theoretical cumulation is stressed by Riker (fn. 6), 177; Tsebelis (fn. 13), 42–43; Gates and Humes (fn. 2), 7–8, 14–16; and Levi (fn. 7), 20.

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The lack of foundation for these common claims about game-theoretic models can be illustrated by reference to the evolving game-theoretic literature on political regime liberalization and transition. Overall, this literature has progressed in a relatively orderly fashion, in large part because of Adam Przeworski's influential and widely accepted model of liberalization.[68] Subsequent exchanges proposed either minor modifications to Przeworski's model—constituting mere variations on this game[69]—or more significant modifications that were spelled out clearly in reference to Przeworski's model.[70] There is thus a real sense in which these works constitute a body of literature. But other authors have approached the same phenomenon from different perspectives, neither taking Przeworski's model as a starting point nor explicitly stating how their models overlap with or diverge from other existing models.[71] As more and more models have been proposed to study transitions, analysts would be hard pressed to show whether these models are competing models or partial but complementary efforts to grasp the same phenomenon and, if the latter, how they might all fit together and provide the basis for the cumulation of knowledge. Rather, we are left with a large number of models that conceptualize key elements—the actors, their choices, and their payoffs—in a range of different ways that are rarely compared and never coherently integrated.

Another, related facet of this problematic diversity is the tendency for authors to propose models that differ quite starkly in their empirical scope. Some models, such as Przeworski's, appear to be fairly broad in scope. But others are driven by very specific questions and are not very general at all. Jakub Zielinski, for example, models the impact of

[68] Przeworski (fn. 3), 62. Though Przeworski's use of game theory in the context of the analysis of transitions was clearly pathbreaking, it builds on ideas first introduced by Guillermo O'Donnell in 1979 and later published in translation as "Notes for the Study of Processes of Political Democratization in the Wake of the Bureaucratic-Authoritarian State," in O'Donnell, *Counterpoints: Selected Essays on Authoritarianism and Democratization* (Notre Dame, Ind.: University of Notre Dame Press, 1999); and O'Donnell and Philippe Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Democracies* (Baltimore: Johns Hopkins University Press, 1986).

[69] Jakub Zielinski, "The Polish Transition to Democracy: A Game-Theoretic Approach," *Archives Européennes de Sociologie* 36 (1995); Gates and Humes (fn. 2), chap. 5; Mark J. C. Crescenzi, "Violence and Uncertainty in Transitions," *Journal of Conflict Resolution* 43 (April 1999).

[70] Daniel Sutter, "Settling Old Scores: Potholes along the Transition from Authoritarian Rule," *Journal of Conflict Resolution* 39 (March 1995); Siddharth Swaminathan, "Time, Power, and Democratic Transitions," *Journal of Conflict Resolution* 43 (April 1999).

[71] This is the case with work by Colomer (fn. 62, 1991); idem (fn. 62, 1995); Colomer and Margot Pascual, "The Polish Games of Transition," *Communist and Post-Communist Studies* 27 (October 1994); Gary Marks, "Rational Sources of Chaos in Democratic Transition," *American Behavioral Scientist* 35 (March–June 1992); Gretchen Casper and Michelle M. Taylor, *Negotiating Democracy: Transitions from Authoritarian Rule* (Pittsburgh, Pa.: University of Pittsburgh Press, 1996); and Bates, de Figueiredo, and Weingast (fn. 46).

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the threat of a Soviet invasion on the Polish transition. And Bates, de Figueiredo, and Weingast build two different models: one for the transition in Zambia, the other for changes in the former Yugoslavia.[72] This leaves us with a large number of models that are cast at very different levels of generality, a point that is rarely, if ever, explicitly discussed.

Game theory, when used creatively, may therefore contribute to theorizing by constructing a series of models, but these proposed models do not, simply by virtue of being game theoretic, necessarily coalesce in an organized fashion.[73] This is not a problem inherent to game theory or unique to it. Moreover, some features of game theory provide a good basis for tackling the challenge of generating order out of the necessarily messy process involved in innovative theorizing. Specifically, formal modeling forces researchers to be explicit about the conceptual elements they use in building models, thus facilitating a comparison among models. In addition, game theory provides a very rich and useful common language for discussing specification issues.[74] But these features by themselves do not provide direction for bringing order to the multitude of models.

Thus, this discussion highlights two important points concerning the construction of models (see Table 3). First, there is no foundation to the claim that game theory produces general theories of clearly stated scope that cumulate in an orderly fashion. Second, these strong but unfounded claims about game theory tend to desensitize game theorists to the effort required to ensure that theoretical innovation proceeds in an orderly fashion. The fact that game theory is silent about a fundamental aspect of theorizing is not a problem in itself. But it does mean that game theorists, just like other theorists, must turn to a complementary body of literature that addresses the issues involved in concept formation and conceptual change.[75] The problem, however, is that the constant invoca-

[72] Zielinski (fn. 69); Bates, de Figueiredo, and Weingast (fn. 46), 615, 624.

[73] Of course, one might talk about theoretical integration in the sense that game-theoretic research produces a series of models that are unified by virtue of being applications of a single theory. Snidal (fn. 9), 25, 32–36. But this is an entirely different issue from the challenge of cumulation understood in terms of the integration of models.

[74] For example, modelers might debate whether a phenomenon should be modeled as a one-shot or repeated game, as a game of complete or incomplete information, and so on.

[75] For relevant research on the formation and evolving use of concepts, see Giovanni Sartori, "Concept Misformation in Comparative Politics," *American Political Science Review* 64, no. 4 (1970); idem, ed., *Social Science Concepts: A Systematic Analysis* (Beverly Hills, Calif.: Sage Publications, 1984); David Collier and James E. Mahon, "Conceptual 'Stretching' Revisited: Adapting Categories in Comparative Analysis," *American Political Science Review* 87 (December 1993); Collier, "Trajectory of a Concept: 'Corporatism' in the Study of Latin American Politics," in Peter H. Smith, ed., *Latin America in Comparative Perspective: New Approaches to Methods and Analysis* (Boulder, Colo.: Westview Press, 1995); and Collier and Steven Levitsky, "Democracy with Adjectives: Conceptual Innovation in Comparative Research," *World Politics* 49 (April 1997).

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TABLE 3
THE FORMAL METHODOLOGY IN GAME THEORY

Steps in the Research Process	*Actual Benefits*	*Questionable Benefits*	*Complementary Literatures*
Theory building			
1. constructing the model		generality clear scope cumulation	on concept formation, conceptual change, and levels of generality
2. solving the model	generates predictions in a logically rigorous and internally consistent manner		
Theory testing			
3. testing the model		strong tests falsifiability	on quantitative and qualitative forms of causal assessment

tion by game theorists of the power of deductive thinking and the unrelenting insistence that their models are general models[76] make it harder for game theorists to see modeling as a task that inextricably weaves together inductive *and* deductive thinking and to realize that models are inevitably cast at varying *levels* of generality.[77] Thus, though game theorists certainly have no monopoly over the tendency to ignore the need to follow procedures geared toward the establishment of conceptual order, they have to date shown little awareness of its importance.

SOLVING THE MODEL

In contrast to its significant silences concerning the first step in the modeling process, that of constructing a model, game theory provides a

[76] See, for example, Edgar Kiser and Hechter, "The Role of General Theory in Comparative-Historical Sociology," *American Journal of Sociology* 97 (July 1991); Levi (fn. 47), 155–57, 171; and Lisa Martin, "The Contributions of Rational Choice: A Defense of Pluralism," *International Security* 24 (Fall 1999), 76.

[77] Efforts to portray game theory as a form of general theory are severely misleading. Rather, as Skocpol argues in response to Kiser and Hechter's advocacy of "theory in general," all good work, whether game theoretic or not, combines deduction and induction and thus occupies, to use the phrase of Bates et al., "a complex middle ground between ideographic and nomothetic reasoning." Skocpol (fn. 55), 321–23; Kiser and Hechter (fn. 76), 2; Bates et al. (fn. 4), 12.

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great amount of guidance concerning the second step in the modeling process, that of solving the model. Because solutions to models rely on axioms about decision making that allow predictions to be derived mathematically, this is where the real power of a formal methodology lies. Indeed, the decisions analysts must make at this step in the modeling process are thoroughly addressed in game theory, and the claims that the use of a deductive logic generates *predictions* in a *logically rigorous* fashion and in a way that is *consistent* with the assumptions of the model are well justified. Thus, it is with good reason that these virtues of game-theoretic models are acknowledged not only by advocates of game theory[78] but also by some generally critical assessments of game theory.[79]

However, a few caveats bear mentioning. First, it is important to avoid overstating the role of this step in the overall modeling exercise. After all, even if game theory does rely on rigorous deduction, the results are still only as good as the model they seek to solve.[80] That is, insights that are built into the model are preserved, as are confusions concerning the process being modeled and the scope of the model. Thus, as Walt rightly argues, "Mere logical consistency is not sufficient."[81] Second, because the solution of a model may lead to a prediction of multiple equilibria or to no equilibrium at all, solving a model in a logically consistent manner does not in itself ensure that the theory will be powerful or useful.

Third, and relatedly, even though indeterminate models can be modified to generate more precise and powerful predictions,[82] this possibility points to an even larger problem. As this option indicates, game theory is not immune to exercises in "curve fitting."[83] Hence, though models generate results in a rigorous fashion, this virtue does not ensure that these results are not the product of post hoc changes in the model and hence suspect. Overall, then, though game theory provides a great amount of guidance concerning this step in the modeling process and though some of the most frequently invoked claims about formal modeling are plainly justified, caution in trumpeting these claims is still advisable.

[78] Tsebelis (fn. 13), 40; Morrow (fn. 13), 6–7, 302–3; Bueno de Mesquita (fn. 6), 66–70; Gates and Humes (fn. 2), 5–6; and Morton (fn. 15), 68, 280.

[79] Green and Shapiro (fn. 14, 1994), 10; Walt (fn. 28), 14–15, 45–46.

[80] Snidal (fn. 9), 33–34.

[81] Walt (fn. 28), 32, 17. See also Abraham Kaplan, *The Conduct of Inquiry: Methodology for Behavioral Science* (Scranton, Pa.: Chandler Publishing, 1964), 278–80, 289–90.

[82] Morton (fn. 15), 182–83, 206–8, 281.

[83] Snidal (fn. 9), 33; Stein (fn. 15), 223.

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TESTING THE MODEL

Turning finally to the third step in the modeling process—testing the models—probably the most important thing to stress is that it has been the subject of much confusion. The importance of this step derives from the fact that the ultimate criterion in an assessment of game theory is its contribution to the understanding of substantive issues. On this point there is little disagreement.[84] Moreover, there is also a fair amount of agreement on a potentially more contentious point: the tendency of game theorists to put more effort into building models than into carrying out empirical tests of the hypotheses generated by such models.[85] Beyond this, however, confusion has reigned on a series of other critical issues.

On the one hand, some critics have been overly skeptical about the potential contribution of a formal methodology to substantive knowledge. It is certainly fair to state that the division of labor between model builders and substantively oriented researchers in the game-theoretic literature has been very stark, to the detriment of the resulting substantive debates. This much is recognized by advocates of game-theory, such as Emerson Niou and Peter Ordeshook, who agree that "some formalism exists for its own sake," and Powell, who concedes that "work that remains in the modeling realm too long can . . . become substantively sterile."[86] But it is another matter to argue that this division of labor is inherent to the formal methodology used in game theory or, even more significantly, that it even accurately captures the interaction between theory construction and empirical observation in the modeling process.[87] Thus, though there may be some legitimacy to the criticisms of game-theoretic works for being exercises driven more by the desire to model than to contribute to substantive knowledge, it is important to recognize that modeling can also be problem driven, as recently argued by advocates of analytical narratives.[88]

But it is equally important to be cautious in assessing the claims routinely advanced by advocates of game theory about the contributions of a formal methodology to the testing of models. Fairly standard claims

[84] Green and Shapiro (fn. 14, 1994), 32; Walt (fn. 28), 31; Snidal (fn. 9), 55; Powell, "The Modeling Enterprise and Security Studies," *International Security* 24 (Fall 1999), 104.

[85] Green and Shapiro (fn. 14, 1994), 203; Walt (fn. 28), 8, 32–33; idem, "A Model Disagreement," *International Security* 24 (Fall 1999), 125–26; Gates and Humes (fn. 2), 12.

[86] Niou and Ordeshook (fn. 6), 84; Powell (fn. 65), 29. See, however, Bueno de Mesquita and Morrow, "Sorting through the Wealth of Notions," *International Security* 24 (Fall 1999), 71; and Frank C. Zagare, "All Mortis, No Rigor," *International Security* 24 (Fall 1999), 114.

[87] Powell (fn. 65), 24–29.

[88] Bates et al. (fn. 4), 11. See also Laitin (fn. 3, 1999).

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are that modeling leads to strong tests[89] and generates hypotheses that have the virtue of falsifiability.[90] For all that these are important virtues, however, such claims miss the point about modeling entirely. That is, though models are ultimately assessed in terms of the empirically tested knowledge they generate, the exercise of modeling proper culminates in the proposal of hypotheses. Thereafter, modelers should test these hypotheses. But a formal methodology does not have direct implications for the testability of hypotheses; nor does it offer any guidelines about how to conduct the testing.[91] Thus, modeling may lead to strong tests, but it may also generate predictions that are consistent with multiple or even all possible observations.[92] Likewise, modeling may generate hypotheses that have the virtue of falsifiability, but it may also lead to arguments that are practically nonfalsifiable.[93] Moreover, a model can be tested in a variety of ways: focusing on hypotheses concerning point predictions or comparative static predictions,[94] relying on small-N or large-N analysis,[95] and so on. The bottom line, in short, is that a formal methodology "does not prescribe any particular methodology for testing hypotheses."[96]

Concerning the testing of models, therefore, two important points must be made. First, though some modeling exercises tend to be divorced from substantive concerns, there is nothing inherent in the process of modeling that detracts from its potential to contribute to substantive knowledge. Second, because the process of formal modeling is fundamentally about generating hypotheses, claims about the contributions of game theory to the testing of models only confuse efforts to assess game theory. Certainly, inasmuch as formal models are put to a test, game theorists need to turn to complementary bodies of literature

[89] Snidal (fn. 9), 34; Tsebelis (fn. 13), 40; Gates and Humes (fn. 2), 12; Levi (fn. 7), 27; Geddes (fn. 67), 199; Martin (fn. 76), 77.

[90] Bueno de Mesquita (fn. 6), 50, 58; Levi (fn. 7), 20.

[91] It is important to note that game theory's theoretical emphasis on strategic choice, as distinct from its use of a formal methodology, has some important implications for the way hypotheses are tested. Thus, Bueno de Mesquita makes a good case for how game theory, and specifically the notion of behavior off the equilibrium path, helps alert researchers to the problem of nonevents and offers an interesting way of thinking about counterfactuals. Bueno de Mesquita (fn. 6), 61–63. See also the provocative discussions of the problem of selection bias in Curtis Signorino, "Strategic Interaction and the Statistical Analysis of International Conflict," *American Political Science Review* 93 (June 1999); and Alastair Smith, "Testing Theories of Strategic Choice: The Example of Crisis Escalation," *American Journal of Political Science* 43 (October 1999).

[92] Morton (fn. 15), 197–98, 206–8.

[93] Snidal (fn. 9), 27, 56; Morton (fn. 15), 119.

[94] Morton (fn. 15), chaps. 6, 7.

[95] Laitin (fn. 3, 1999); Levi (fn. 47), 158; Hans-Peter Blossfeld and Gerald Prein, eds., *Rational Choice Theory and Large-Scale Data Analysis* (Boulder, Colo.: Westview Press, 1998).

[96] Geddes (fn. 6, 1995), 101.

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on a whole host of problems involved in causal assessment using quantitative and qualitative methodologies. But this hardly seems like a contentious point.

To recapitulate: the use of a formal methodology does substantiate one of the key claims made for game theory, that it can generate predictions in a logically rigorous and internally consistent manner. This is a valuable trait, which does much to recommend the use of a formal methodology. But three broad caveats are also in order. First, the fact that a formal methodology helps to produce a rigorous form of analysis does not mean that formal modelers have a monopoly on rigor.[97] Second, as this discussion has shown and as is summarized in Table 3, there are many methodological issues that are not addressed by the procedures of formal modeling. Though the point is rarely appreciated, rigor is a standard that also pertains to these other issues. Indeed, because the ability to compare models in a rigorous fashion affects how their varying predictions are to be assessed, this largely ignored aspect of modeling arguably has a greater impact on the overall rigor of modeling exercises. Third, rigor alone is no guarantee of the substantive worth of research. In short, the value of formal modeling notwithstanding, it is important to not overstate its benefits and to acknowledge that it is a more complex process than game theorists usually acknowledge, one that involves a number of challenges which game theorists simply do not address.

A Pluralistic Agenda for Comparative Politics

This article has sought to offer an assessment of game theory and its uses in comparative politics by considering both the theoretical and the methodological foundations of game theory and by identifying both its strengths and its weaknesses. Rather than consider the substantive contributions of game-theoretic work to comparative politics, the discussion focused on the core principles that determine the potential uses and limits of game theory, whether applied in comparative politics or

[97] Whether formal modelers have a monopoly on rigor, understood in the sense used here, is a claim about which game theorists differ. Some advocates of game theory appear to argue that research using formal models is always superior to research that does not use formal models. Martin (fn. 76), 77–80; Morton (fn. 15), 36, 41–47. Others take a halfway position, arguing that theorizing on the basis of formal models is not inherently superior to nonformal or verbal theorizing but does have a definite advantage. Morrow (fn. 13), 6; Bueno de Mesquita and Morrow (fn. 86), 56–57, 72; Powell (fn. 84), 101–2; idem (fn. 65), 29–33, 38. Finally, yet other advocates are less inclined to such a priori judgments and readily admit there is no basis for claiming that game theory and other forms of modeling have a monopoly on rigor. Tsebelis (fn. 13), 42–43; see also Snidal (fn. 9), 30.

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in any other field. Thus, though existing trends in the use of game theory in comparative politics were identified, the basic goal has been forward looking, to provide an informed and balanced consideration of standard practices of game theory that could serve as a basis for a dialogue about the long-term prospects of game theory in comparative politics.

This assessment has implications, first of all, for game-theoretic research. As this article has shown, the core theoretical principles of game theory are limited, both in terms of the domains where it is applicable and in terms of its explanatory power in those domains. Moreover, game theorists have shown little sensitivity to issues of domain specification. Thus, game theorists should focus on two key tasks. First, they should seek to formulate clear criteria for identifying the appropriate domains of game theory and then apply these criteria consistently. Second, they should tackle the more daunting task of seeking to expand the domains they can study and the explanatory power of game theory in those domains, by developing a broader theoretical framework that overcomes the limits of game theory as a theory of action. Concerning this latter task, it may be possible to build upon, rather than simply replace, the rational choice assumptions embedded in game theory. This is something that is still not fully clear. But if a more adequate theory of action is to be developed, it seems that major modifications of the assumptions of game theory will be required. That is, to overcome the limitations of game theory, game theorists may have to transcend game theory.

Concerning game theory's reliance on a formal methodology, this article suggests the need for less sweeping changes. As the discussion has emphasized, formal modeling offers an attractive method of theorizing due to its ability to generate predictions in a logically rigorous and internally consistent manner. Nonetheless, as the article also suggests, two important tasks must be tackled alongside the use of a formal methodology. First, formal modelers need to give greater consideration to the procedures that will allow them to impose order on the multitude of models, which, though proposed as models of the same phenomenon, differ considerably in terms of the conceptual elements highlighted and the scope of cases encompassed. Second, formal modelers need to focus more on how they might test their models by using quantitative and/or qualitative methodologies. In some cases, this task might be quite straightforward, requiring that they simply draw upon existing empirical methodologies. However, when it comes to

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testing theories of action, this challenge is likely to be more demanding, calling for important methodological innovations. In short, a key point of this article is that better game theory will result from an explicit acknowledgment of the limits of game theory and a recognition that game theorists need to address a range of the central concerns in the social sciences.

More broadly, this article has important implications for efforts to improve research in comparative politics. As emphasized, an assessment of game theory reveals both a mixed picture of insights and strengths offset by important limitations and the possibility that game theory can be improved through a greater sensitivity to a series of old concerns. But much as in the field of American politics and international relations, advocates of game theory in comparative politics continue to argue for the uniqueness of their theory; as Gabriel Almond observes, they have tended to view "everything that went before . . . as pre-scientific."[98] Ultimately, the only way to address the limits of game theory systematically is to abandon its most basic contention—that it enjoys a special status, both as a theory with universalistic aspirations and as a type of formal methodology. Otherwise, the various concerns that lie beyond the limits of game theory will be addressed, at best, only as afterthoughts.

As beneficial as the integration of insights derived from the new perspectives offered by game theory and the old concerns of scholars working in the field of comparative politics would be, however, the prospects for this kind of a pluralistic agenda in comparative politics are unclear. Indeed, the counterposition of the alleged strengths of game theory and the alleged weaknesses of other approaches—variously characterized as inductive, historical, area studies, or simply nonformal—is stark. Moreover, the passion with which the supremacy of rational choice and game theory is defended, as well as the tone of the exchange surrounding the informed and careful critiques of rational choice and game theory in the field of American politics by Green and Shapiro[99] and in the context of international relations by Walt,[100] sug-

[98] Almond, "Political Science: The History of the Discipline," in Robert Goodin and Hans-Dieter Klingemann, eds., *The New Handbook of Political Science* (Oxford: Oxford University Press, 1996), 86.

[99] Green and Shapiro (fn. 14, 1994); idem (fn. 14, 1996); Friedman (fn. 9); James Johnson, "How Not to Criticize Rational Choice Theory: Pathologies of 'Common Sense,'" *Philosophy of the Social Sciences* 26 (March 1996); Gary Cox, "The Empirical Content of Rational Choice Theory: A Reply to Green and Shapiro," *Journal of Theoretical Politics* 11 (April 1999).

[100] Walt (fn. 28); idem (fn. 85); Bueno de Mesquita and Morrow (fn. 86); Martin (fn. 76); Niou and Ordeshook (fn. 6); Powell (fn. 84); Zagare (fn. 86). This entire debate is reprinted in Michael E. Brown et al., eds., *Rational Choice and Security Studies: Stephen Walt and His Critics* (Cambridge: MIT Press, 2000).

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gests that there is little interest in dialogue. In short, the debate around game theory could very well take the form of a competition and confrontation that might result in profoundly destructive effects on the future of the field.[101]

There is, however, an alternative agenda for comparative politics—one that would stress themes articulated by various contributors to a 1995 *World Politics* symposium on the future of comparative politics and more recently by David Collier: retaining and strengthening the "eclectic center" in comparative politics and engaging in a dialogue focused on the challenge of integrating new perspectives, such as those offered by game theory, and old concerns of comparativists.[102] The big question, as we have seen, is whether the center in comparative politics has been so weakened as to eliminate any basis for this sort of dialogue.

Fortunately, there are signs that even strong advocates of game theory in comparative politics have explicitly acknowledged the limits of game theory. Indeed, looking beyond the frequently overstated programmatic declarations, one finds evidence of pragmatism, especially with regard to game theory's theoretical claims. Moreover, some users of game theory have either offered exemplary expressions of pluralism or incorporated healthy doses of eclecticism into their own work. Equally crucial, one can detect serious efforts by nonpractitioners to learn about game theory and to form a balanced opinion about its potential and limits. As hopeful as these signs may be, however, the status of rational choice theory and game theory remains a highly charged and divisive issue. Whether the agenda of comparative politics in the years ahead will be a pluralistic one that encourages dialogue is still an open question.

[101] Lichbach, "Social Theory and Comparative Politics," in Lichbach and Zuckerman (fn. 7), 240–42, 272–74; James Bernard Murphy, "Rational Choice Theory as Social Physics," in Friedman (fn. 9), 168–73.

[102] Kohli et al. (fn. 4); Collier, "Building a Disciplined, Rigorous Center in Comparative Politics," *APSA-CP: Newsletter of the APSA Organized Section in Comparative Politics* 10 (Summer 1999).

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FISCAL DECENTRALIZATION
A Political Theory with Latin American Cases

By CHRISTOPHER GARMAN, STEPHAN HAGGARD, and ELIZA WILLIS*

ONE of the most important political developments of recent decades is the widespread move toward greater decentralization of government. Given the high level of centralization under communist rule, decentralization has naturally been a feature of postsocialist systems and has played an extraordinarily important but very different role in the two largest transition economies, Russia and China.[1] Decentralization has also been a pronounced trend in many newly democratic countries in Latin America, Asia, and Africa.[2]

Much of the vast literature on federalism and decentralization in both political science and economics is informed by the theory of fiscal federalism, which identifies numerous advantages in transferring powers and responsibilities to lower levels of government.[3] Ideally, each public good and service should be provided by the jurisdiction that would most fully internalize its benefits and costs. For a number of goods and services, this jurisdiction is clearly smaller than the national

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[1] Some of the most important theorizing on the politics of decentralization has grown out of these two cases, including Susan Shirk, *The Political Logic of Economic Reform in China* (Berkeley: University of California Press, 1993); Gabriella Montinola, Yingyi Qian, and Barry R. Weingast, "Federalism, Chinese Style: The Political Basis for Economic Success in China," *World Politics* 48 (October 1995); and Daniel Treisman, *After the Deluge: Regional Crises and Political Consolidation in Russia* (Ann Arbor: University of Michigan Press, 1999).

[2] For an overview, see Teresa Ter-Minassian, ed., *Fiscal Federalism in Theory and Practice* (Washington, D.C.: International Monetary Fund, 1997). Out of the seventy-five developing and transitional countries with populations greater than five million, all but twelve claim to be in the process of effecting some form of transfer of political power to local units of government. See William Dillinger, *Decentralization and Its Implications for Urban Service Delivery,* Urban Management Programme Paper (Washington, D.C.: World Bank, 1994).

[3] Classic statements include Charles Tiebout, "A Pure Theory of Local Expenditures," *Journal of Political Economy* 64, no. 5 (1956); and Richard A. Musgrave, *The Theory of Public Finance: A Study of Public Economy* (New York: McGraw-Hill, 1959). See also Wallace E. Oates, "An Essay in Fiscal Federalism," *Journal of Economic Literature* 37 (September 1999).

World Politics 53 (January 2001), 205–36

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one. Since citizen preferences vary across jurisdictions, decentralization enhances welfare by more closely matching government output to local tastes and increasing efficiency both in providing government services and in raising revenue.

A second generation of literature, exemplified by Barry Weingast's work on "market-conforming federalism," focuses greater attention on the incentive effects of different intergovernmental arrangements.[4] Decentralization can foster policy innovation and economic growth by stimulating competition among jurisdictions. Decentralization can also solve credible commitment problems in the protection of property rights and mitigate threats of state predation and civil violence. Decentralization may also dampen intercommunal tensions in ethnically divided states.[5]

Virtually all of these claims are controversial and, as we will show, highly contingent on political institutions. However, the main weakness of the literature on decentralization is its almost exclusive, ultimately normative concern with the economic and political *effects* of decentralization. With some important exceptions,[6] much less attention has been paid to explaining the causes—*why* countries decentralize as they do.

We propose a positive theory of fiscal decentralization or what is known in public finance as the assignment problem: the devolution of policy responsibilities and taxing and spending powers to state and municipal governments. We measure the nature and extent of such decentralization by examining both the statutes and the actual shares of subnational governments in total government spending and revenues.

In virtually all decentralized systems, however, the functional responsibilities of lower levels of government are not fully financed by their own tax revenues. Revenue-sharing agreements and intergovernmental transfers from the center are therefore an important component

[4] Weingast, "The Economic Role of Political Institutions: Federalism, Markets and Economic Development," *Journal of Law, Economics and Organization* 11 (April 1995); Montinola, Qian, and Weingast (fn. 1); Sunita Parikh and Barry R. Weingast, "A Comparative Theory of Fiscal Federalism: India," *Virginia Law Review* 83 (October 1997); Hehui Jin, Yingyi Qian, and Barry R. Weingast, "Regional Decentralization and Fiscal Incentives: Federalism, Chinese Style," Working Paper (Hoover Institution, Stanford University, March 1999).

[5] Contrast Ruth Lapidoth, *Autonomy: Flexible Solutions to Ethnic Conflicts* (Washington, D.C.: United States Institute of Peace Press, 1996) with the skeptical view in David Lake and Donald Rothchild, "Political Decentralization and Civil War Settlements" (Manuscript, University of California, San Diego, 1999)

[6] Among these exceptions are Treisman (fn. 1); Robert P. Inman and Daniel L Rubinfeld, "The Political Economy of Federalism," in Dennis Mueller, ed., *Perspectives on Public Choice Theory* (New York: Cambridge University Press, 1997); and Ugo Panizza, "On the Determinants of Fiscal Centralization: Theory and Evidence," *Journal of Public Economics* 74, no. 1 (1999).

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of intergovernmental fiscal relations.[7] Countries vary in the *share* of central-level revenues that are passed on to states and municipalities. Equally important are the *rules* governing such transfers and the extent of control exercised by the central government. In centralized systems the national government has substantial discretion over the amount transferred and its distribution across jurisdictions. Highly centralized governments also influence or even determine the uses to which funds are put. In decentralized systems, by contrast, the national government's hands are tied by fixed revenue-sharing formulas that determine how funds are distributed and allocated, thereby granting wider discretion to lower levels of government.[8]

Our theory focuses on the accountability of politicians operating at different levels of government: presidents, legislators, and governors. Several features of the political system can influence these lines of accountability, but a crucial one is the internal structure of political parties, as noted by William Riker over twenty-five years ago.[9] Stated most simply, if parties are more centralized, any bargaining over intergovernmental fiscal relations will favor the center and the fiscal structure of the state will be more centralized. Conversely, if party control is less centralized, the state's fiscal structure will also tend be more decentralized, other things being equal.

Our empirical analysis focuses on five large countries—Argentina, Brazil, Colombia, Mexico, and Venezuela—that have three levels of government enjoying some genuine autonomy.[10] Despite this constitutional similarity, these countries display striking differences in the design of intergovernmental fiscal relations. We first undertake an exercise in comparative statics, showing how these differences are correlated with variations in the pattern of control and accountability within po-

[7] Anwar Shah, *The Reform of Intergovernmental Fiscal Relations in Developing and Emerging Market Economies*, Policy and Research Series (Washington, D.C.: World Bank, 1994).

[8] We consider a high level of discretion in intergovernmental fiscal transfers to be an indicator of centralization for reasons we outline in more detail below. However, discretion may in fact provide subnational governments with bargaining leverage and open the door to moral hazard problems and blackmail. If the subnational government knows that the center has the discretion to provide bailouts, for example, then there are few incentives to control expenditure and borrowing. Moral hazard can in principle be limited by a no-bail-out rule, but the capacity to set such a rule is endogenous to politics. See Barry Eichengreen and Jurgen von Hagen, "Federalism, Fiscal Restraints and European Monetary Union," *American Economic Review* 86, no. 2 (1996).

[9] Riker, "Federalism," in Fred Greenstein and Nelson Polsby, eds., *Handbook of Political Science*, vol. 5 (Reading, Mass.: Addison-Wesley, 1975).

[10] Four of the five countries in this category have federal constitutions; Colombia is the exception. For a more detailed review of political arrangements in the region, see Eliza Willis, Christopher da C. B. Garman, and Stephan Haggard, "The Politics of Decentralization in Latin America," *Latin American Research Review* 34, no. 1 (1999).

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litical parties. We then use case studies to show the proposed causal linkages more convincingly and to demonstrate some dynamic implications of the theory. In particular, we show how growth in the political influence of subnational politicians is subsequently reflected in fiscal practice through greater decentralization. We close by discussing the research agenda on fiscal federalism, as well as some policy issues, including why the design of decentralization has so frequently fallen short of its promise.

I

We begin with the political concerns of national and subnational executives, focusing for the sake of simplicity on governors and ignoring municipal governments. Imagine an extremely simple democratic system in which there are two independent levels of government. A president (elected by all citizens) heads the national level and elected governors head the subnational ones—call them states.[11] At any given time there is an institutional status quo: rules govern how policy, spending, and taxing powers are distributed between the levels of government, and there are intergovernmental fiscal transfers that in theory can go in either direction.

Under what circumstances might the prevailing equilibrium be opened for renegotiation? Technological changes (or raising taxes) could affect the minimum efficient scale of public goods provision. This, in turn, might alter political actors' preferences. Alternatively, the demand for various public goods may shift due to changes in economic openness and integration.[12] Our Latin American cases reveal that fiscal crises play an important role in upsetting existing fiscal bargains, particularly when the effects of a crisis are uneven across jurisdictions. Broader political developments also create pressures for decentralization. This is most obvious in the case of civil wars and successful nationalist or secessionist movements. But democratization, too, creates such pressures, as democratic forces press for the extension of democratic rule to subnational jurisdictions.

[11] We will also put aside for the moment analysis of unitary systems without subnational jurisdictions (to our knowledge no such cases exist) or in which the executives of the subnational jurisdictions are appointed by the center (a quite common form, particularly in authoritarian regimes). However, the political dynamics outlined here are easily extended to such systems.

[12] For a review of the related literature, see Patrick Bolton, Gerard Roland, and Enrico Spolaore, "Economic Theories of the Break-up and Integration of Nations," *European Economic Review* 40 (April 1996).

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Regardless of the specific source of pressure for decentralization, a new status quo will result from the bargaining process among politicians at different levels of government. We therefore need to know about the *preferences* of the relevant actors, their *capabilities,* and the *institutional setting* in which intergovernmental fiscal relations are negotiated.

Presidential preferences regarding fiscal decentralization exhibit two conflicting tendencies. On the one hand, with her national constituency, the president can claim credit for any efficiency gains in the provision of public goods associated with moving toward the optimal level of decentralization. Indeed, our cases confirm that executives often initiate decentralizing initiatives.[13] But on the other hand, any political gains the president reaps from such increases in efficiency can be offset by the loss of control over resources and by principal-agent problems.

The president will want to control resources, for two reasons. First, centralized control over resources permits presidents to equalize the distribution of goods and services across the country on the basis of need. Such equalization is central to government's classic redistributive function. But centralized control also allows presidents to allocate resources for purely political ends: to win elections and to control and maintain parties and legislative coalitions.[14] A second factor in transferring expenditure responsibilities, budgetary resources, or even taxing powers to lower levels is concern for the ensuing principal-agent and contracting problems.[15] If the president transfers functions and powers to a lower level of government, how can she be assured that her objectives will be carried out? In principle, contracts can be written to require that governors act in accordance with the wishes of the center. But for well-known reasons, including important informational asymmetries, such contracts often prove incomplete and difficult to monitor.

In sum, while presidents can gain from decentralization, these gains are partly offset by political and agency losses. Thus, we would expect the president to be more inclined to transfer responsibilities than the resources to meet them. In addition, she is more likely to prefer that expanded responsibilities be financed through local taxes rather than

[13] We will assume for the sake of argument that the status quo is "overcentralized" compared to the optimum, although the opposite can also be the case, as with Brazil.

[14] For empirical evidence of such behavior, see Juan Molinar Horcasitas and Jeffrey A. Weldon, "Electoral Determinants and Consequences of National Solidarity," in Wayne Cornelius, Ann L. Craig, and Jonathan Fox, eds., *Transforming State-Society Relations in Mexico: The National Solidarity Strategy* (San Diego, Calif.: Center for U.S.-Mexican Studies, 1994); Treisman (fn. 1); Moritz Kraemer, "Intergovernmental Transfers and Political Representation: Empirical Evidence from Argentina, Brazil and Mexico" (Washington, D.C.: Inter-American Development Bank, 1997).

[15] Paul Seabright, "Accountability and Decentralization in Government: An Incomplete Contracts Model," *European Economic Review* 40 (January 1996).

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through transfers. Where transfers do exist, we expect the president to seek to control the uses to which funds are put in order to reduce agency loss; this can be done through devices such as earmarking and matching grants.[16] At the extreme we can imagine a predatory president who seeks to control all fiscal resources and to maintain complete discretion over how they are used.

What are governors' interests in this renegotiation? Of course, each governor would prefer to receive a net transfer from the center, rather than having to raise taxes, particularly if he can also retain discretion over the use of such transfers. At the extreme, we can imagine a governor who is the mirror image of a predatory president: a pure looter who shuns all responsibilities and seeks to maximize his take from the center and ultimately from the other states. However, "responsible" governors can also benefit from decentralization when state governments have both adequate resources, whether through local taxes or transfers, and a comparative advantage in providing the services assigned to them. With respect to transfers, we would expect governors to place higher estimates on their resource needs than the president, not simply because of the superiority of local information but for strategic reasons as well. Governors will also be more concerned about the *certainty* of receiving transfers and the *conditions* attached to them. Governors should favor fixed formulas for the amount and distribution of resources across jurisdictions and greater discretion in their use. In sum, governors should seek to restrict presidential control while expanding their own.

II

Given these partly overlapping, partly conflicting preferences, what determines the outcome of intergovernmental fiscal bargaining? If governors and presidents were the only actors, then the political lines of accountability between them would constitute an important factor. We can see why this would be so by introducing political parties into our simple constitutional setup. In a situation of "vertically divided government," when the governor and the president are from opposing parties, the divergence of preferences outlined above becomes even more pronounced.[17] The president might be willing to transfer some func-

[16] This assumption is subject to the important caveat in fn. 8.

[17] The ordinal preference ranking among different outcomes (for example, centralized, decentralized with central control, decentralized without central control) remains the same, but the distance in absolute value between the respective preference value for each system increases.

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tions to subnational governments, but she would be reluctant to transfer resources to opponents and would face even greater difficulties in controlling subnational behavior. Conversely, governors would find central control over resources even more objectionable and would seek to tie the president's hands through fixed formulas.[18]

If the president and governor are from the same party, the distribution of powers and resources will depend on the nature of their political relationship. Imagine two extremes. In one case the party is purely hierarchical: the president nominates governors and determines their careers through control over nominations, campaign finance, and appointments to nonelective offices. In this case we would expect governors' preferences to align closely with the president's. The system would tend toward greater centralization, and any renegotiation would favor the president's interest in controlling the extent and nature of fiscal decentralization. By contrast, imagine an assembly of governors that controls the nomination of the president. Here, we would expect presidential preferences to align more closely with those of governors, leading to more decentralization.[19]

Typically, however, bargaining between presidents and governors does not occur in such a direct and unmediated fashion. Any significant changes concerning the functional reassignment of spending and taxing responsibilities between levels of government usually require legislation or even constitutional revision. The bargaining game is therefore played out within the national or constituent assembly, thus making the interests of legislators an important determinant of which preferences prevail—presidential or gubernatorial.

As with presidents and governors, the interests of legislators depend in part on the partisan composition of the government. Under divided government, legislators will be attentive to checking the powers of the president, including her control of resources, and will seek to channel resources to their copartisans at the subnational level. If a single party controls both branches or the president relies on a majority coalition in the legislature, much will depend on the lines of authority and accountability within the ruling party or parties. Where parties are disciplined and legislators are responsive to the president and national party leadership (or leaderships in the case of coalitions), we would expect

[18] Uncertainty about transfers from the center might also lead opposition governors to raise their own revenues by taxation.

[19] For the purpose of this argument, we are assuming the existence of a median governor. In fact, governors may have different preferences depending on the wealth of their state and access to locally generated tax revenues.

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outcomes closer to the president's preferences. However, if legislators are dependent on governors to advance their political careers, they will naturally seek to curry favor with them, including through the design of intergovernmental fiscal relations.

Several features of the political system influence whether lines of authority and accountability within parties push legislative preferences closer to the presidential ideal points or closer to the gubernatorial ones. These include electoral laws encouraging either party-centered or candidate-centered voting,[20] who has control over campaign finances, and the nature of career opportunities for politicians once they leave elective office.[21] While all of these factors may be relevant, we focus in the first instance on two easily measured proxies that capture the broad lines of authority and accountability within the party system. First, we consider who—the national party leadership (often the president) or subnational leaders—controls candidate nominations for national legislative office.[22] While party-nomination rules rarely give governors de jure control over candidate selection, their de facto influence is greatest when nominations occur at subnational party conventions. Other things being equal, therefore, we expect national-level control to be associated with more centralized outcomes and greater subnational influence, with greater decentralization.

Second, since the countries we analyze all rely on proportional representation (PR), we ask whether they employ a closed- or open-list system. Under closed-list PR systems, party leaders control not only the nomination rules (who may be a candidate) but also the rank order of candidates on the ballot. Because the party leadership determines the rank order of candidates and thus the order of their election, the voters' only option is to cast their vote for a particular party's list. As a result, the party leadership exerts substantial control over the rank and file because individual legislators are dependent upon party leaders for a favorable ranking in the next electoral cycle. Ceteris paribus, one could therefore expect closed-list PR systems to be associated with greater centralization.

[20] In the most comprehensive analysis of the issue Carey and Shugart identify four factors that determine these electoral incentives: party control over nominations; the existence of vote pooling; whether voters cast only a single vote for a party, multiple votes, or a single vote for a candidate; and district magnitude. J. M. Carey and M. S. Shugart, "Incentives to Cultivate a Personal Vote: A Rank Ordering of Electoral Formulas," *Electoral Studies* 14, no. 4 (1995).

[21] This last factor is emphasized by David Julian Samuels, "Careerism and Its Consequences: Federalism, Elections, and Policy-Making in Brazil" (Ph.D. diss., University of California, San Diego, 1998).

[22] In some countries nomination procedures vary according to political party, but in our coding we have sought the central tendency across parties.

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Legislative preferences in closed-list PR systems, however, will be greatly affected by *which* party leaders control the ordering of the party list. Thus, legislative preferences will more closely align with presidential ones if national party leaders have control over party lists. And alternatively, legislative preferences should align more closely with gubernatorial interests in systems where state-level party leaders control the rank order of candidates on the party lists in their jurisdictions.[23]

In systems with open-list PR, by contrast, party leaders do not control the ordering of candidates on the list.[24] Rather, voters make that determination by casting their votes for individual candidates. Candidates compete not only against other parties but also against members within their own party. Consequently, open-list PR systems encourage candidates to develop a personal reputation in order to win votes.[25] There are a number of strategies by which candidates can build a personal reputation, but a common one is to make political alliances with state and local executives who can deliver the vote. In systems where such a strategy is commonplace—as in Brazil—subnational executives gain even greater influence over legislators. Since candidates must develop a personal reputation in order to win votes, subnational executives can make alliances with national legislators *even across party lines*. Subnational party leaders in closed-list PR systems, by contrast, can wield influence only over candidates within their own party.

Table 1 compares Argentina, Brazil, Colombia, Mexico, and Venezuela on these two measures at the time that major decentralizing initiatives were launched in each country. Brazil and Colombia are the most decentralized of the five countries on these two indicators, with Argentina also exhibiting signs of substantial subnational influence: al-

[23] Such an influence arguably presumes that electoral districts mirror subnational boundaries. That assumption remains valid for most of the cases examined here; there are some exceptions, however. In Colombia members of both the lower and upper houses were elected in electoral districts that were coterminous with subnational political units prior to 1991. As a result of constitutional changes in 1991, however, the upper house is now elected in a single national district. In Mexico three-fifths of the lower house is elected in districts that are not coterminous with lower administrative units. In Venezuela electoral districts mirrored subnational boundaries prior to 1993, but subsequent to a 1993 reform half of the lower house has been elected in districts that are not coterminous with subnational boundaries. However, even where the overlap between electoral and subnational districts is not perfect, it is still plausible that subnational politicians could influence legislative behavior.

[24] Despite this effect of the electoral system, we have kept nomination rules within parties as one of our two indicators precisely because it is an *indicator* of party organization and lines of accountability within parties, rather than a determinant of it. Even in open-list PR systems like Brazil, where party leaders exert relatively little influence over party members in comparison with Venezuela's closed-list system, decentralized nomination rules provide an important indicator of the relative influence wielded by subnational politicians.

[25] Carey and Shugart (fn. 20).

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TABLE 1
NOMINATION CONTROL AND LIST SYSTEM

Country	*Nomination Control*	*Electoral System*
Argentina	subnational: both principal parties (PJ and UCR) use internal primaries for assembly elections at the provincial level	closed list/mixed control: provincial party leaders determine the rank order of the party list, but national party leaders can intervene in provincial party organization or put the alternative national party list to a vote with provincial list determined by rank and file
Brazil	subnational: all parties hold municipal, state, and national conventions, with each level nominating delegates to its superior convention; state conventions nominate candidates for congressional and senate races, and national conventions nominate candidates only for presidential contests; governors exert substantial influence in state conventions	open list/subnational coalitions: candidates employ personal vote strategies through making political alliances with subnational executives
Colombia	subnational: nominations occur at the district level	multiple closed list/subnational control: voters choose among closed-party list, but each party can propose multiple lists at the district level; order of district-level party lists is determined by regional party bosses; national party leadership exerts no influence
Venezuela	mixed/national dominant: state-level leaders submit an initial list of candidates to the national party leadership, but national leaders have veto power over the candidates selected and can replace half the submitted list with their own candidates	closed list/national control: within the AD state-level leaders submit unranked lists to national party leadership which must contain three times the permissible number of candidates; national leadership can replace half the submitted list with its own candidates
Mexico	national: for PRI, historically highly centralized in party leadership and president. Party leadership also important in PRD and PAN, but with some use of conventions (PAN) and primaries (PRD) emerging	closed list/national control

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though the party controls closed lists, provincial-level party organizations have influence over nominations. Venezuela and particularly Mexico, with its quasi-authoritarian party-dominant system, are clearly the most centralized. As we show in the next two sections, these broad differences in level of political centralization correlate closely with the overall *level* of fiscal decentralization. More importantly, they help to explain differences in the *speed* and *extent* of the decentralization process over the last two decades as well.

III

Capturing the extent and nature of fiscal decentralization requires considering the allocation and control over taxing, spending, and revenues across jurisdictions.[26] We begin by examining the distribution of formal powers and actual spending and taxation across jurisidictions. Table 2 draws on data on the delineation of expenditure responsibilities in several functional areas.[27] Argentina clearly stands at one end of the spectrum, with only one of fifteen services—universities—held exclusively in national hands and over 50 percent of most functional responsibilities assigned exclusively to the subnational level. Brazil and Colombia are broadly similar, although with greater oversight at the national level in Colombia. Mexico and Venezuela are more centralized, with more powers exclusively national and fewer exclusively subnational. As in Colombia, and in contrast to Argentina and Brazil, oversight in these two countries is concentrated at the national level.

Table 3 summarizes the distribution of revenue and spending across levels of government. The data are of varied and uneven quality and cannot by themselves be taken as reliable indicators of the level of decentralization; the rules governing the use of resources are equally if not more important in understanding intergovernmental fiscal relations. Nonetheless, the data do suggest some order-of-magnitude differences across the cases. On the revenue side, Mexico and Venezuela stand out as the most centralized systems, with virtually all taxing powers historically concentrated in the hands of the central government. Even *after* fiscal reforms were introduced, the national government of Venezuela continued to collect over 95 percent of total tax revenue. This was due to its high dependence on revenues from the state oil company. In

[26] Weingast (fn. 4).

[27] These data are drawn from Inter-American Development Bank, *Latin America after a Decade of Reforms: Economic and Social Progress in Latin America, 1997 Report* (Washington, D.C.: Inter-American Development Bank, 1997), 196–97.

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TABLE 2
DELINEATION OF EXPENDITURE ASSIGNMENTS BY FUNCTION[a]

	Exclusively National (%)	*Exclusively Subnational (%)*	*Mixed (%)*
Argentina			
amount	13	60	27
structure	6	67	27
execution	6	67	27
supervision	37	42	21
Brazil			
amount	20	30	50
structure	20	30	50
execution	20	30	50
supervision	45	20	35
Colombia			
amount	25	20	55
structure	30	25	45
execution	20	30	50
supervision	80	15	5
Mexico			
amount	45	10	45
structure	25	20	55
execution	30	35	35
supervision	70	20	10
Venezuela			
amount	37	16	47
structure	37	16	47
execution	32	16	52
supervision	84	16	5

SOURCE: Inter-American Development Bank, *Latin America after a Decade of Reforms: Economic and Social Progress in Latin America, 1997 Report* (Washington, D.C.: Inter-American Development Bank, 1997), 196–97.

[a] The categories indicate which level of government decides the *amount* spent, the *structure* of expenditure, the *execution* of expenditure, and the *supervision* and setting of standards. For Brazil, Colombia, and Mexico the survey covers twenty policy areas, for Venezuela nineteen, and for Argentina fifteen.

Mexico the federal government continued to dominate tax collection into the mid-1990s. Moreover, such increases in subnational taxing power as we do see were not matched by increases in control over expenditure, suggesting that the center had effectively forced subnational governments to increase their tax effort.[28] Argentina and Colombia are

[28] Because Mexican revenue data include transfers from other levels, these numbers overstate the level of decentralization. We explore this issue in more detail below.

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TABLE 3
REVENUE AND SPENDING BY LEVEL OF GOVERNMENT
(BEFORE AND AFTER DECENTRALIZATION)

Country	*Share of Total Government Tax Revenue Collected by Level of Government*		*Percentage Change in Revenue*	*Share of Total Government Expenditure by Level of Government*		*Percentage Change in Expenditure*
Argentina	1983	1992		1980–84	1990–94	
central	79.3	80.0	+(0.9)	63	54	−(14.3)
subnational	20.7	20.0	−(3.3)	37	46	+(24.3)
Brazil	1975	1995		1980–84	1990–94	
central	73.7	66	−(10.4)	74	45	−(39.2)
subnational	26.3	34	+(29.2)	26	55	+(111.0)
Colombia	1980	1994		1980	1994	
central	82.2	80.1	−(2.7)	72.8	66	−(9.3)
subnational	17.8	19.9	+(11.8)	23.2	34	+(46.6)
Venezuela	1980	1989		1985	1997	
central	95.8	96.9	+(1.1)	84.5	73.9	−(12.3)
subnational	4.1	3.2	−(22.0)	15.6	26.1	+(64.1)
Mexico	1982	1994		1980–84	1990–94	
central	90.7	82.7	−(8.8)	81	71	−(12.3)
subnational	9.3	17.3	+(86.02)	19	29	+(52.6)

SOURCES: For expenditure shares: Argentina, Brazil, and Mexico, International Monetary Fund, *Government Financial Statistics* (Washington, D.C.: IMF, various issues); Venezuela, Michael Penfold-Becerra, "Institutional Electoral Incentives and Decentralization Outcomes: Comparing Colombia and Venezuela" (Ph.D. diss., Columbia University, 1999). For tax shares: Argentina, Daniel Artanta et al., "Chapter Two: Argentina," in Ricardo López Murphy, eds., *Fiscal Decentralization in Latin America* (Washington, D.C.; Inter-American Development Bank, 1995); Brazil, Fernando Rezende, "Federalismo Fiscal no Brasil," *Revista de Economica Política* 15 (June–September 1995); Venezuela, World Bank, *Venezuela: Decentralization and Fiscal Issues* (Washington, D.C.: LA1 Department, Infrastructure and Operations Division, 1992); Mexico, INEGI, *Anuario Estadistico de los Estados Unidos Mexicanos* (1994). Colombian data on both expenditures and taxation are from Interamerican Development Bank, "Fiscal Decentralization: The Search for Equity and Efficiency," in *Economic and Social Progress in Latin America, 1994 Report* (Washington, D.C.: Inter-American Development Bank, 1994).

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more decentralized in this regard, and Brazil is the most decentralized of the five in taxing powers.[29]

Expenditure shares diverge substantially from the revenue pattern. In all cases, decentralizing reforms have had their most notable effect in the increased share of lower levels of government in total expenditure. However, comparisons across the cases again suggest interesting differences. The figures for Mexico overstate the extent of centralization by counting some transfers as federal expenditures; nonetheless, as we will see in more detail in the case study below, central control of these resources has remained substantial. Venezuela is also fairly centralized, followed by Colombia, which underwent a further shift in expenditure responsibilities to subnational governments after 1992. Argentina and particularly Brazil rank as the most decentralized in this regard. Both saw substantial shifts in the patterns of spending toward subnational governments in the 1980s.

The divergence between shares of revenue and expenditure underscores the importance of intergovernmental transfers. The extent of these transfers varies across our cases. Figure 1 presents the available data on transfers to lower levels of government as a share of total central government expenditures and lending net of repayments. Brazil's level of transfers appears relatively low, but in a context in which aggregate government spending is already highly decentralized. Moreover, it shows a clearly rising trend after 1988. Mexican and Venezuelan transfers are higher, with Venezuela's showing a rising trend after 1989. In contrast to Brazil, however, aggregate government spending in these two countries remains highly centralized. Argentina shows a huge spike during the early years of the administration of President Raúl Alfonsín (1983–89), followed by a substantial consolidation in 1988.[30] Colombia shows the highest level of transfers among our cases.

Political control between levels of government is not well captured by the assignment of policy responsibilities and taxes, the level of ex-

[29] Provincial governments in Argentina increased their share of total tax revenues from 13.7 percent in 1983 to 15.4 percent in 1992. This expansion came at the expense of local governments, which suffered a decline from 7 to 4.6 percent in the same period, while the share controlled by the federal government remained virtually unchanged. In Colombia, by contrast, local governments gained at the expense of departmental governments between 1980 and 1991. Again, the central government experienced only a small decrease in its share of revenue. Brazil was more decentralized with respect to taxing powers even prior to the transition to democratic rule, suggesting the importance of historical legacies. Between 1974 and 1988 states increased their share of total government tax revenue from 36.9 percent to 49.4 percent; the share controlled by local governments actually decreased slightly from 3.8 to 3.6 percent. However, Brazil is also the country that experienced the most significant *change* in taxing powers toward the state level after 1988 as well.

[30] As we explain below, this explosion of transfers was primarily the result of central bank payments to provincial banks that reflected a predictable political logic.

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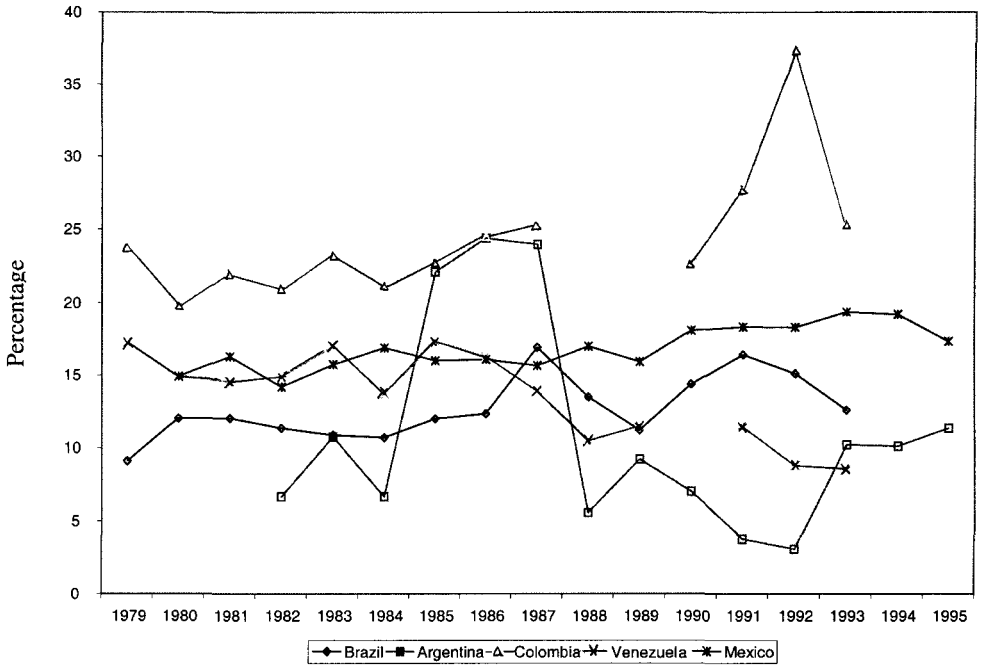

FIGURE 1

TRANSFERS TO OTHER LEVELS OF GOVERNMENT
(AS PERCENTAGE OF TOTAL CONSOLIDATED CENTRAL GOVERNMENT EXPENDITURE)

SOURCE: IMF Government Finance Statistics Yearbook (various issues). Figures for Mexico are total revenue sharing as percentage of federal government revenue.

penditures at different levels of government, or the extent of transfers. Rather, we must also look at the rules governing the use of resources: the control that central governments exercise over the *distribution* of resources and the *purposes* to which they can be put. We use three indicators to gauge such control. First, we have coded programs of intergovernmental transfers in the five cases according to whether they are automatic or discretionary in nature. We presume that automaticity is more likely to reflect the preferences of subnational governments eager to tie the executive's hands, while discretionary programs provide presidents with greater control.[31] Second, we have further divided au-

[31] Again, see the important reservation at fn. 8.

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TABLE 4
CHARACTER OF INTERGOVERNMENTAL TRANSFERS
(PERCENTAGE)

Distribution:	*Automatic Constitutional*		*Automatic Legislated by Law*		*Discretionary*	
Assignment:	*Unconditional*	*Earmarked*	*Unconditional*	*Earmarked*	*Unconditional*	*Earmarked*
Brazil	88.91	5.6				5.48
Argentina	74.98	19.82			5.19	
Colombia		84.95				15.05
Venezuela	44.2	44.2	1.04	5.6	4.94	
Mexico			49.12			50.87

SOURCE: Inter-American Development Bank, *Latin America after a Decade of Reforms: Economic and Social Progress in Latin America, 1997 Report* (Washington, D.C.: Inter-American Development Bank, 1997).

tomatic transfers into those prescribed by the constitution versus those prescribed by ordinary law. We assume that constitutionally mandated transfers offer subnational officials greater security than do statutes. Third, we distinguish between programs extending unconditional transfers and those earmarking funds for particular purposes. While earmarking per se does not necessarily signal tight central control,[32] for the purpose of this initial comparison we associate it with greater centralization.

Table 4 shows that transfers in Brazil and Argentina cluster heavily in the automatic-constitutional category with little earmarking. Transfers in Colombia are also predominantly in this quadrant, although with greater earmarking. Venezuela deviates somewhat from expectations. It has a high level of constitutionally mandated transfers, but nearly half are earmarked. Again, the Mexican government exercises the most control, with just over half of all funds being both discretionary and earmarked.

One last measure of central government control over subnational finances concerns the rules governing subnational borrowing (Table 5). At first, no clear patterns appear. For example, both Venezuela (a more centralized country by other measures) and Brazil (a more decentralized one) require central government approval of subnational borrowing. Both Mexico (a more centralized country) and Argentina and

[32] For example, the high level of earmarked funds in the Colombian case reflects only the broad requirement that the funds be spent on salaries in the social sectors. Subnational governments may also evade earmarked requirements. By contrast, earmarking in Mexico often contains quite detailed stipulations regarding particular projects and close monitoring.

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TABLE 5
BORROWING AUTONOMY IN LATIN AMERICA

	Borrowing by SNGs Not Allowed	*Central Govt. Approval Required on SNG Debt*	*Debt Cannot Be Used for Current Expenditures*	*Numerical Debt Limits in All or Most SNGs*	*SNGs Own Banks*	*There are Important SNG-Owned Firms with Liberal Borrowing Practices*	*Tax Sharing Used to Guarantee SNG Debt*
Brazil		X			X	X	X
Argentina			X	X	X	X	X
Colombia			X	X	X		X
Venezuela		X					
Mexico			X			X	X

SOURCE: Inter-American Development Bank, *Latin America after a Decade of Reforms: Economic and Social Progress in Latin America, 1997 Report* (Washington, D.C.: Inter-American Development Bank, 1997).

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Colombia (apparently less so) restrict borrowing to financing current expenditures. One salient feature that does emerge, however—subnational governments in Brazil and Argentina have both banks and government-owned firms with "liberal borrowing practices." Acting as effective conduits for government borrowing, these banks and firms have given subnational governments considerable autonomy from central authorities; they also contributed to serious subnational debt crises in the 1990s.

As this discussion shows, there is no simple way to measure the extent and nature of fiscal decentralization; moreover, patterns change over time, as we will see in more detail in the next section. Nonetheless, *even when we control for the formal level of political decentralization*, the different measures converge on the following generalizations. Mexico is substantially more centralized than the other four countries. Brazil and Argentina stand out as the most decentralized. Venezuela and Colombia are arrayed in between, but with Venezuela more centralized and Colombia sitting closer to Argentina and Brazil and becoming more decentralized over time.

IV

The nature and extent of decentralization broadly correlates with the two political indicators outlined at the end of the last section, but the match is not perfect. Argentina, for example, is more decentralized with respect to the assignment of functions outlined in Table 2, despite the fact that party organization in Brazil is much weaker and more decentralized. In Venezuela party organization is relatively centralized, yet revenue sharing follows a pattern that appears to correspond with the interests of subnational governments. These and other anomalies may arise from measurement and coding errors. For example, we assume exclusive assignment of a high number of functions to subnational governments indicates a system where governors successfully lobbied for greater decentralization. However, it might represent instead the ability of the federal government to impose costly and unwanted fiscal responsibilities on lower levels of government. Similarly, mandated earmarking may or may not actually constrain subnational governments in practice. In politically decentralized systems earmarking may be circumvented by lax enforcement.

To isolate these coding problems and to capture differences in initial conditions, we undertake paired comparisons that try to hold constant some of the ultimate sources of pressure for decentralization. We first

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compare Colombia and Venezuela, then Brazil and Argentina, before making some brief observations about Mexico in comparative perspective.

These sketches also attempt to get at the dynamic nature of the decentralization process. The argument so far has been comparative; countries with party systems pulling legislators closer toward gubernatorial preferences will exhibit a greater level of decentralization than those with more "nationalized" party systems. Nevertheless, as these case studies show, the bargaining power of governors, presidents, and legislators over decentralization is not static. Political or economic crises, in which the basic decentralization process may or may not play a prominent role, can shift the relative power of politicians operating at different levels. Moreover, the very act of reassigning spending and taxing responsibilities between levels of government can itself influence politics, including lines of accountability within political parties; we return to this important endogeneity problem in the conclusion.

Colombia and Venezuela

Colombia and Venezuela yield an ideal country comparison because they share a number of features that distinguish them from the other three cases. First, the impetus for decentralization in both countries originated with the national executive and occurred in conjunction with the implementation of political decentralization, that is, the introduction of elections to subnational units. In each case the national executive proposed limited measures of fiscal decentralization and successfully opened direct elections for governor and mayors during the late 1980s. Both of these measures were implemented as a means to counter domestic political challenges to the president's party. Second, the impetus to decentralize in both countries came after a prolonged period of democratic rule in which two dominant parties alternated in power at the national level. Unlike other countries in Latin America where political decentralization has been associated with the transition to democracy, Colombia and Venezuela decentralized in response to public dissatisfaction with the existing party system.

Despite these similarities, the two countries differ on the extent to which they transferred revenue and spending powers. In Venezuela the legislature adopted a modest fiscal transfer to state and municipal governments with significant central control over its uses. In Colombia legislators adopted a more aggressive transfer of responsibilities, taxing, and spending powers to regional and municipal governments. Fiscal transfers were also much higher in Colombia, though characterized by substantial earmarking.

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These divergent outcomes can be traced directly to the incentives facing legislators when these reforms were initiated. Political power in Venezuela has been highly centralized since the inception of democratic rule in 1961, with national party leaders within the two dominant parties (Acción Democrática and COPEI) wielding tremendous influence over their respective party members. Prior to 1993 voters chose between closed party lists, with the rank order of candidates for the national legislature determined by national party leaders. Throughout the period under consideration, elections for all offices were held concurrently, further reinforcing the national orientation of the congress.

Responding in 1984 to large public discontent, a fiscal crisis, and growing pressures from within his party, President Jaime Lusinchi (AD, 1984–89) created a reform commission whose recommendations paved the way for the introduction of direct elections for mayors and governors in 1989.[33] In the first legislative session following the introduction of direct elections, legislators gave state and municipal governments a greater share of federal revenue. The new law (Ley Orgánica de Delimitación y Tranferencia de Competencias, LODT) increased the state government share of federal taxes from 15 to 20 percent by 1994 and the municipal share from 10 to 20 percent by 1999.

But while transferring additional revenue to state and municipal governments, the law actually reinforced central control over subnational finances. The law not only stated explicitly that governors were "agents" of the president, but it also granted the senate authority to remove any governor by a two-thirds vote. The transfer of further revenue and any functional responsibilities could be initiated either by the president or by state governors, but such actions required approval by two-thirds of the congress and a simple majority in the state legislative assemblies. In practice, national legislators resisted gubernatorial requests to transfer public functions because of their desire to maintain tight control over the distribution of patronage at the subnational level and their close ties to centralized public sector unions that were active at the center.[34] Central control appeared complete; by 1992 not one function had been transferred to a state government.

[33] Comisíon Presidencial para la Reforma del Estado (COPRE). For an analysis of how the impetus to decentralize stemmed from declining popularity of the main political parties in Venezuela, see Vincente Fretes Cibils, "Venezuela: Diálogo para el desarrollo: La decentralización" (Manuscript, World Bank, 1999).

[34] Joachim Knoop, *Descentralización fiscal en Venezuela* (Santiago de Chile: Comisión Económica para América Latina y El Caribe, 1994). Much of the following discussion draws upon Michael Penfold-Becerra, "Institutional Electoral Incentives and Decentralization Outcomes: Comparing Colombia and Venezuela" (Ph.D. diss., Columbia University, 1999).

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This resistance to decentralization began to break down following a series of political crises in 1992 and 1993, including two failed coup attempts and the impeachment of President Carlos Andrés Pérez. In the wake of these dramatic events, two major developments in the Venezuelan party system began to alter the bargaining relationship between central and subnational authorities. First, a dramatic decline in voter identification with the COPEI and AD challenged their duopoly, and in a short time Venezuela was transformed into a multiparty system. Second, the newly created Association of Venezuelan Governors pressed for changes in the electoral and party systems, including the election of 50 percent of deputies by plurality in the chamber. The governors clearly sought these reforms in order to make national legislators more accountable to regional interests. Simultaneously they sought a more rapid transfer of functions to the regional level that would follow a set timetable. While the rules for electing senators remained closed list, the new chamber elected in 1993 under these altered rules increased the transfer of revenues to states and municipalities and responded more favorably to several state requests for the decentralization of public services in the areas of education, health care, child care, agriculture, nutrition, and housing.

Venezuela's more timid and hesitant approach to decentralization stands in contrast to reforms enacted in Colombia. As in Venezuela, the congress in Colombia initially resisted all attempts to decentralize fiscal resources or administrative functions. However, their reasons for defending central control reflected substantial differences in the party and electoral systems in the two countries. Control over nominations, electoral rules, and the timing of elections made Colombian legislators more responsive to subnational interests. These interests took the form not of elected officials but of regional electoral machines headed by political bosses whose continued support depended on patronage from the legislature.

Much as in Venezuela, the impetus for the introduction of fiscal and political decentralization in Colombia came from the national executive, in this case to initiate a peace process with a growing guerrilla movement. Conservative Party president Belisario Bentacur (1982–86) successfully legislated the popular election of mayors, which first took place in 1989, and transferred a larger share of federal revenue to subnational governments during his administration. The transfer of fiscal revenue, however, was accompanied by significant earmarking. The law also gave the president extraordinary authority to issue decrees reassigning to local govern-

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ment specific functions previously carried out by the federal government. National legislators consented to these reforms because Bentacur agreed to leave substantial patronage resources under their direct control.

Of the two sets of reforms implemented by Bentacur, the introduction of direct elections for mayor had the greatest impact. Unlike Venezuela's centralized party organization, candidate selection in Colombia is decentralized in both the Liberal and Conservative Parties. Colombia employs a closed-list electoral system, but each party is allowed to run multiple lists at the department level, and regional bosses within each party determine the rank order of their respective lists. Given such a highly decentralized party organization, the introduction of direct elections for mayors had powerful consequences. Legislators initially opposed to Bentacur's decentralizing measures now depended on mayors to a much greater extent than did their counterparts in Venezuela. Locally elected officials rapidly assumed an important role in drafting regional district lists and ensuring the success of legislative campaigns.

The newfound political weight held by subnational politicians became evident in the constitutional convention of 1991. Responding to popular pressures and a continuing guerrilla insurgency, Liberal president Virgilio Barco (1986–90) used his state-of-siege powers to call a referendum on a national constituent assembly that would enact constitutional reforms. The referendum passed by an overwhelming margin, and elections for the assembly were held in 1990. The seventy members were, however, elected in a single national district instead of from multiple lists within districts. The changed electoral rule gave nontraditional parties (including former members of the guerrilla movement in the M-19 Democratic Alliance) that favored a more decentralized system the opportunity to win the majority of seats in the assembly. Chastened by the referendum's implicit rebuke of the traditional party structure, their minority status in the assembly, and the growing influence of directly elected mayors, candidates from the traditional Liberal and Social Conservative Parties agreed to support a much more extensive form of decentralization under the new constitution.[35]

[35] Mathew Soberg Shugart and Daniel Nielson, "Liberalization through Institutional Reform: Economic Adjustment and Constitutional Changes in Colombia" (Manuscript, University of California, San Diego, 1994); Pedro Medellín Torres, "Reestructuración del estado y desarrollo regional: Contrainsurgencia, democracia y disciplina social," *Revista Interamericana de Planificación* 25 (July 1992); William Dillinger and Steven B. Webb, "Decentralization and Fiscal Management in Colombia," Working Paper no. 2122 (World Bank, May 1999); and Gary Hoskins, "The State and Political Parties in Colombia," in Eduardo Posada-Carbo, ed., *Colombia: The Politics of Reforming the State* (London: Macmillan, 1997).

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In addition to introducing direct elections for governors at the provincial level, the new constitution devolved greater financial autonomy upon provinces and municipalities. Both received greater taxing authority, a substantial increase in their share of federal taxes, and the freedom to issue their own debt and borrow abroad. In acknowledgment of their increased autonomy, department and municipal governments were further guaranteed that responsibility for expenditures would not fall to them without the prior allocation of additional resources, a practice that had occurred during the 1980s. Finally, the new constitution eliminated the main source of legislative patronage that the traditional party politicians had used to oil their electoral machines.

Despite these significant moves in the direction of further decentralization, the constituent assembly did reinforce some elements of central control. In addition to retaining a high level of earmarking of intergovernmental transfers, it included a provision allowing the congress to review and possibly revise the revenue-sharing arrangements after a five-year period. Despite public dissatisfaction with the two traditional parties, they continued to dominate the congress throughout the 1990s. This dominance allowed them to use their legislative power to pressure the executive to distribute special investment funds to what remained of their regionally based electoral machines.[36]

In sum, the national executive in both Colombia and Venezuela responded to growing political alienation by proposing initiatives to decentralize. Both introduced direct elections for subnational executive posts. Colombia's party system already granted regional leaders and local bosses tremendous leverage over national legislators. Following the election of mayors and then governors, Colombia underwent a rapid and profound decentralization, as elected subnational politicians gained in influence. In Venezuela, by contrast, a centralized party organization placed greater limits on the ability of subnational politicians to exert influence over national legislators. Until important changes were made in the party system in 1993, legislative careers in Venezuela remained tied to national party leaders to a greater extent than in Colombia.[37]

[36] Shahid Javed Burki, Guillermo Perry, and William Dillinger, *Beyond the Center: Decentralizing the State* (Washington, D.C.: World Bank, 1999).

[37] The recent collapse of the traditional parties and the victory of Hugo Chávez has changed the bargaining relationship between the national and subnational governments. The new constitution passed under Chávez's tutelage appears to recentralize control although vesting it directly in the hands of the president.

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Brazil and Argentina

Brazil and Argentina provide a useful comparison because of important similarities in constitutional history, formally federal structure, and the common impetus to revert to decentralized governance following a transition to democracy. Unlike Colombia, which is a unitary state, and Venezuela, which was federal only in name prior to 1989, Brazil and Argentina both have federal constitutional structures dating back to the nineteenth century. In contrast to Colombia and Venezuela, the most recent round of political decentralization was also implemented earlier. Direct elections for mayors and governors were introduced in Brazil and Argentina during the early 1980s and were one component of the transition to democratic rule.

Despite these similarities, decentralization in Argentina did not go significantly beyond the level that had existed prior to centralization under military rule in the 1970s and early 1980s.[38] Moreover, the pace and extent of fiscal decentralization in Argentina has not followed a consistent pattern, as progress toward decentralization has often been accompanied by moves toward recentralization. In Brazil, however, decentralization went far beyond previous levels as state and municipal governments received significant increases over their constitutionally mandated shares of federal revenue. Subnational governments also secured greater debt limits and favorable federal refinancing of existing subnational debt throughout the 1980s and into the 1990s.

Brazil's more extensive transfer of revenue to subnational governments is a product of the close ties that exist between state and local officials and federal legislators.[39] The Organic Law of Political Parties, originally drafted during military rule, mandated that parties hold municipal, state, and national party conventions in which each delegate was chosen by the lower level. Federal legislators were thus nominated in state party conventions, and presidential candidates in the national convention. Because such a structure gave mayors and governors the comparative advantage of distributing patronage in local and state conventions, they were able to wield significant influence over the selection of candidates within their own parties. Federal legislators further reinforced ties to subnational politicians because of Brazil's open-list PR electoral system. With a strong incentive to cultivate a personal vote,

[38] Ernesto Rezk, "Argentina: Fiscal Federalism and Decentralization," in Richard M. Bird and François Vaillancourt, eds., *Fiscal Decentralization in Developing Countries* (Cambridge: Cambridge University Press, 1998).

[39] For an analysis of the relationship between local officials and federal legislators and their career trajectories, see David Julian Samuels (fn. 21).

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mayors and governors often aided federal legislators in cultivating a following within specific geographic regions. The fact that legislative elections were held concurrently with gubernatorial elections prior to 1994 further reinforced the pull toward subnational preferences.

With such strong ties between federal legislators and subnational politicians, legislators enacted a series of measures that increased subnational financial autonomy, often to the detriment of federal finances. First, legislators buttressed subnational revenue by expanding their taxing prerogatives and by transferring increasing shares of federal taxes to subnational coffers with few restrictions over their use. Such transfers culminated in the new Constitution of 1988, drafted by sitting federal legislators elected in 1986. While transferring significant revenue to subnational governments, the new constitution was ambiguous about the new distribution of functional assignments. This ambiguity left the federal government responsible for providing many of the same services as before but with fewer resources to do so. Second, federal legislators continually extended subnational debt limits and refinanced the existing stock of state and municipal debt through bailouts at low and fixed interest rates.

The decentralization of revenues without an increase in administrative responsibilities left the central government responsible for activities nominally in subnational hands. The resulting fiscal pressures and mounting and unsustainable subnational indebtedness resulted in crises that prompted attempts to reverse the decentralizing trend. The current administration of Fernando Henrique Cardoso has attempted to curtail recurrent state and municipal fiscal deficits through subnational borrowing restrictions and conditioning federal bailouts on the privatization of state-level government-owned enterprises (GOEs). Although the privatization of GOEs and state commercial banks will permanently restrict state borrowing practices, the current set of borrowing restrictions and debt payment schedules agreed upon by federal and state governments may prove difficult to uphold.[40]

The more erratic pattern evident in the process of fiscal decentralization in Argentina reflects the mixed incentives provided by the party and the electoral systems. Prior to 1997 senators were elected by provincial assemblies, although national parties exercised considerable influence over the nomination process. National parties also exercised

[40] For an analysis of the Cardoso administration's efforts in relation to subnational governments, see Lourdes Sola, Christopher da C.B. Garman, and Moises Marques, "Central Banking, Democratic Governance and Political Authority: The Case of Brazil in a Comparative Perspective," *Revista de Economia Política* 18, no. 2 (1998).

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considerable influence over the nomination of candidates for the chamber of deputies, who in turn felt the strong pull of national issues when assembly elections coincided with presidential elections (as they did in 1983, 1989, and 1995). In addition, decentralization in Argentina demonstrates how the partisan makeup of the executive and legislative branches can affect subnational finances.

During the first democratic administration of Raúl Alfonsín (1983–89) the president's Radical Party held a majority in the lower house, while the opposition Peronists (PJ) held a majority in the senate, as well as controlling most of the provincial governments. In view of the constitutional provision that all revenue-sharing bills must originate in the senate, the Peronists prevented the federal government from introducing a new revenue-sharing law between federal and provincial governments. In the absence of federal revenue sharing, the Treasury distributed discretionary grants in order to compensate for provincial budget shortfalls. Provincial governments therefore had the incentive to blackmail the federal government by running up larger budget deficits in order to receive a greater share of federal funds.[41] Such blackmail was successful because a Peronist majority in the senate could threaten passage of any legislation favored by the Alfonsín administration. A new revenue-sharing law was passed only in 1987, after the Peronists assumed the majority of seats in the lower house. The new law increased the provincial share of federal revenue, but at the same time the government tightened the monitoring of provincial accounts by the central bank.

The legacy of the administration of Carlos Menem (1990–99) also demonstrates the mixed character of fiscal decentralization in Argentina. Menem rose within his own Peronist Party on a "federalist" coalition and once in office provided financial relief to provincial governments in 1991. Moreover, he and the Peronist-dominated constituent assembly (made up of congressmen elected with Menem in 1989) enhanced the fiscal autonomy of provincial governments in two ways. For the first time in Argentine history, revenue-sharing arrangements were given constitutional status and protection. The constitution also mandated that "no future transfer of services would be possible unless accepted by the concerned province and accompanied by a matching transfer of funds or revenue sources."[42]

[41] For an analysis of the incentives to provincial governments to increase expenditures in the absence of a revenue-sharing law, see P. Sanguinetti, "Intergovernmental Transfers and Public Sector Expenditures: A Game Theoretic Approach," *Estudios de Economía* 21, no. 2 (1994).

[42] Rezk (fn. 38), 232.

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Such favorable agreements, however, were enacted in exchange for centralizing initiatives that included setting provincial spending limits, earmarking how transferred funds were to be used, and transferring responsibility for higher education to the provinces without the promise of additional funding. The Menem government also used party discipline to impose hard budget constraints on the provinces.[43] The federal government in Argentina, unlike that in Brazil, proved successful in forcing provincial governments to undergo serious fiscal adjustments in return for debt relief and the restructuring of banks.

The policy of transferring revenue to provincial governments on the condition that such transfers not compromise federal fiscal goals stands in stark contrast to the pattern in Brazil. This difference derives from the fact that legislative incentives in Argentina are more "national." Governors and regional party leaders exert influence over the composition of candidate lists for the federal legislature, but national party leaders in both the Peronist and the Radical Parties exert some degree of veto power over the makeup of the lists generated by provincial party commissions. Furthermore, Argentina's closed-list PR electoral rules reduce the incentives for legislators to cultivate a personal vote and thus create greater opportunities for legislators to pursue a career independent of provincial interests. While clearly representing provincial interests to some extent, legislators in Argentina, unlike those in Brazil, cannot be characterized as de facto "delegates" of subnational interests.

Mexico

Mexico fits none of the patterns just reviewed. Until the presidential elections of 2000, which brought an opposition candidate to office, its democratic character remained in doubt. Nonetheless, it provides a useful limiting case on the effects of party organization of the decentralization process.

Despite a formally federal structure and history of regional political organization,[44] Mexican politics has been one of the most centralized in Latin America. Until recently the ruling Partido Revolucionario Institucional (PRI) has dominated elected offices at all levels of government and has afforded the sitting president unparalleled control over the nominations of all PRI candidates. As a result, Mexico's political system has yielded a pattern of decentralization much closer to the executive-dominant pattern, although several political reforms and the recent

[43] Burki, Perry, and Dillinger (fn. 36), 42–43.

[44] Lorenzo Meyer, "Un tema añejo siempre actual," in Blanca Torres, ed., *Descentralización y democracia en México* (Mexico City: Colegio de México, 1986), 23–32.

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success of opposition parties in federal and subnational elections has begun to change the decentralization process in ways we would predict.

The executive dominated Mexico's decentralization during the 1980s and 1990s. With substantial influence over members of his party,[45] presidents initiated most decentralization measures and crafted them to buttress executive political clout.[46] State and municipal governments receive federal funds through two primary mechanisms: revenue-sharing laws that specify a fixed quota of federal taxes to be distributed to subnational governments[47] and discretionary federal investment programs executed in conjunction with state and municipal authorities. There is substantial debate over the extent to which Mexico's revenue-sharing laws, or *participaciones*, have been manipulated for political ends, but the control of discretionary investment programs clearly has been turned to political ends.

Under the administration of Miguel de la Madrid (1982–88) several federal development programs executed in conjunction with subnational governments were consolidated into one regular budget line called the Desarrollo Regional or Ramo XXVI. Funds designated for state and municipal governments through this mechanism have been substantial and until recently have outpaced funds originating from *participaciones*. The program under this category that has received the most attention because of it sheer size has been the antipoverty program instituted by the administration of Carlos Salinas de Gortari (1988–94) under the title Programa Nacional de Solidaridad.[48] The president determined the program's overall budget, negotiated individual contracts with states, and in some cases created bureaucratic organizations parallel to state and municipal governments that circumvented the power of existing governors and mayors. The program not only garnered support for the president in low-income communities but also reduced Salinas's dependence upon the traditional party hierarchy.

[45] One source of influence by Mexican presidents has been a no-reelection rule for sitting legislators and elected officials at the subnational level. This makes them dependent upon the president for bureaucratic posts or positions within the party. See Peter H. Smith, *Labyrinths of Power: Political Recruitment in Twentieth Century Mexico* (Princeton: Princeton University Press, 1979).

[46] Such a pattern has led one scholar of Mexico's decentralization reforms to characterize the Mexican case as "centralization through decentralization." Victoria E. Rodriguez, *Decentralization in Mexico: From Reforma Municipal to Solidaridad to Nuevo Federalismo* (Boulder, Colo.: Westview Press, 1997).

[47] We are referring to funds established under the Ley de Coordinación Fiscal, which mandates the federal government to allocate revenue to states through three separate funds: the Fondo General de Participaciones (FGB), the Fondo Financeiro Complementario (FDB), and the Fondo de Fomento Municipal (FFM). The FGB, the largest, is more commonly known as *participaciones*.

[48] Cornelius, Craig, and Fox (fn. 14).

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TABLE 6
MEXICO
DISTRIBUTION OF DISPOSABLE REVENUE AFTER TRANSFERS ACROSS LEVELS OF GOVERNMENT

Year	*Federal*	*Federal District*	*State*	*Municipal*
1989	73.54	5.05	16.86	4.55
1990	73.82	5.93	15.19	5.06
1991	72.38	5.86	16.07	5.69
1992	70.95	5.85	17.45	5.75
1993	67.41	5.95	20.56	6.08
1994	64.18	5.66	24.12	6.04
1995	64.12	4.86	25.79	5.23

SOURCE: Alberto Diaz Cayeros and Gustavo Merino, "The Measurement of Mexican Federalism: Some Preliminary Data" (Manuscript, 1998).

Since the 1970s the PRI has gradually introduced many political and electoral reforms that have permitted opposition parties to compete more effectively against the PRI. These reforms have contributed to notable electoral successes in municipal, state, and federal legislative races in the 1990s. Opposition parties, which have strongly favored greater autonomy for subnational governments, have won nearly one-third of the country's gubernatorial offices and many municipal presidencies, and they won control of the lower house of the national congress in 1997.[49]

As a result, there was a serious erosion of presidential power and a weakening of party discipline within the PRI during the Zedillo presidency (1994–2000).[50] Presidential discretion over the allocation of investment programs ultimately derived from authority delegated by *priista* legislators who owed their allegiance to the president. When the PRI lost its majority in Mexico's lower house, the federal executive could no longer count upon easy passage of its budget proposals, and federal legislators became increasingly dependent upon opposition governors and mayors. With such a significant change in party politics, the discretionary powers of the president came under attack, and, as we would predict, there were further efforts to increase the share of *participaciones* in relation to discretionary investment programs. As Table 6 shows, the

[49] Burki, Perry, and Dillinger (fn. 36), 46.

[50] Wayne A. Cornelius, Todd A. Eisenstadt, and Jane Hindley, *Subnational Politics and Democratization in Mexico* (La Jolla: Center for U.S.-Mexican Studies, University of California San Diego, 1994).

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growing influence of opposition parties in the 1990s has been accompanied by an extraordinarily rapid devolution of resources within the Mexican political system. This trend continued with congress voting for even more transfers in 1997 and 1998.[51]

Party organization under the PRI has been highly centralized under the office of the president. As a result, decentralizing reforms retained a high degree of executive control and discretion and in some cases involved the creation of parallel executive agencies with "branch offices" at the local level. With opposition victories in the legislature and subnational governments and internal party reforms within the PRI, however, the powers of the president weakened. As Mexico's party system moves even further away from a hierarchical mode of organization under the new Fox administration, we would expect decentralization to reflect the interests of subnational governments more closely. Such a process has already begun.

V

There is beginning to emerge a new positive theory of fiscal federalism that focuses on the political relationships among politicians at different levels of government. These relationships are complex and range from the relatively institutionalized, for example, within the context of line ministries, to electoral interdependencies, such as coattail effects and the concurrence or nonconcurrence of elections, to unmediated political, economic, and even military interactions. We have traced one thread of this complex web, arguing that lines of accountability in political parties play a role in structuring the incentives of executives, legislators, and governors with respect to intergovernmental fiscal relations. Even when holding federalism constant, we showed how more centralized party systems were associated with more centralized fiscal structures. Our case studies also demonstrated that the argument could be extended to explain patterns of change. Centralized parties produced more gradual and limited decentralization processes, while increases in the political significance of subnational politicians within parties generated increased pressures on legislators to decentralize. We have limited ourselves to a theory of fiscal federalism, but the argument might be extended to unitary systems and the process of political as well as fiscal decentralization, in short, to federalism itself. Executives in unitary systems vary in their dependence on subnational political and

[51] Burki, Perry, and Dillinger (fn. 36), 46.

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social elites; federalism may be precisely a means of striking bargains with such elites in the process of state and nation building.

However these reflections on the origins of federalism—as well as a longer historical view of intergovernmental fiscal relations—raise daunting problems of endogeneity. For the purposes of this analysis we have sharply distinguished the internal organization of political parties from the fiscal structure of the state and have suggested that fiscal decentralization is driven by how parties are organized. The cases studies suggest that in the intermediate run such a focus seems justified. But an alternative argument could reverse the causal arrows. Rather than deriving the fiscal structure of the state from the internal organization of political parties, fiscally decentralized states may produce political parties organized along subnational lines.[52] If our suspicions are correct, studies of the origins of federalism will reveal the importance of lines of political accountability and dependence among political actors operating at different levels, even in the absence of national parties or of subnational jurisidictions. Such findings would suggest the broader applicability of the simple model advanced here.

We close with some observations about the policy implications of our work. After an initial flurry of enthusiasm for decentralization, recent work on the subject has been somewhat more cautious about its purported benefits.[53] Some of these reservations center on the simple lack of administrative capacity at the subnational level. However, many of the problems decentralizing experiments have encountered are powerfully conditioned by the political incentive structures we have outlined here. For example, international financial institutions are giving new attention to the way decentralization can threaten the integrity of government finances by loosening the hard budget constraints on state and local governments and generating subnational debt crises.[54] We have also seen how adequate revenues may not match the assignment of policy responsibilities or, conversely, how revenues can be transferred ahead of actual responsibilities. Finally, there are important questions of equity across jurisdictions that are not raised here but that might be explained by extensions of our theory. We have limited our discussion

[52] See Samuels (fn. 21).

[53] Jennie Litvack, Junaid Ahmad, and Richard Bird, *Rethinking Decentralization in Developing Countries*, Sector Studies Series (Washington, D.C.: World Bank, 1998); Remy Prud'homme, "The Dangers of Decentralization," *World Bank Research Observer* 10, no. 2 (1995).

[54] William Dillinger, Guillermo Perry, and Steven B. Webb, "Macroeconomic Management in Decentralized Democracies: The Quest for Hard Budget Constraints in Latin America," in Shahid Javed Burki and Guillermo E. Perry, eds., *Annual World Bank Conference on Development in Latin America and the Caribbean, 1999: Decentralization and Accountability in the Public Sector* (Washington, D.C.: World Bank, 2000).

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to what might be called the "vertical" dimension of federalism: the relationship between the center and subnational governments viewed as a collective. More refined analysis of the allocation of resources *across* subnational jurisdictions is revealing how presidents and legislators seek to use intergovernmental transfers for targeted political ends.[55] This literature is confirming that "horizontal" variation in resource allocation across subnational units is often influenced by the types of political interactions and lines of accountability between center, state, and municipality that we we have highlighted here. The most important point to underscore is that the pitfalls of fiscal decentralization are not simply a result of poor mechanism design—as the new literature on fiscal federalism suggests—but rather reside at a deeper level in the strategic bargaining between levels of government, bargaining that is rooted in features of the political system. Policy prescriptions that yield optimal results in one political system may therefore have very different outcomes in another.

[55] Carol Graham and Cheikh Kane, "Opportunistic Government or Sustaining Reform? Electoral Trends and Public Expenditure Patterns in Peru, 1990–1995," *Latin American Research Review* 33, no. 1 (1998); Edward L. Gibson, "Federalism and Electoral Coalitions: Making Market Reform Politically Viable in Argentina" (Manuscript, Northwestern University, Evanston, Ill., 1997).

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EUGENIC IDEAS, POLITICAL INTERESTS, AND POLICY VARIANCE
Immigration and Sterilization Policy in Britain and the U.S.

By RANDALL HANSEN and DESMOND KING*

> [T]here is now no reasonable excuse for refusing to face the fact that nothing but a eugenics religion can save our civilization from the fate that has overtaken all previous civilizations.
>
> —*George Bernard Shaw*

A growing body of literature has sought to incorporate ideas into political analysis. Ideas have been invoked to explain phenomena as diverse as contrasting responses among social democrats to the Great Depression,[1] the evolution of European integration,[2] differing outcomes in race policy,[3] and shifts in macroeconomic policy.[4] In the decade after Peter Hall issued a call for studies that explained not that ideas matter but how and when they mattered, there have been conceptual advances in both the categorization of ideational frameworks and the specification of their impact.[5] In the former at least four dis-

* The authors are grateful for comments received on an earlier draft of this paper at the conference on new institutionalism at the University of Göteborg, May 25–27, 2000, and to an anonymous *World Politics* referee.

[1] Sheri Berman, *The Social Democratic Moment: Ideas and Politics in the Making of Interwar Europe* (Cambridge: Harvard University Press, 1998), introduction.

[2] Kathleen McNamara, *The Currency of Ideas: Monetary Politics in the European Union* (Ithaca, N.Y.: Cornell University Press, 1998).

[3] Erik Bleich, "Problem Solving Politics: Ideas and Race Policies in France and Britain" (Ph.D. thesis, Harvard University, 1999); Randall Hansen, *Citizenship and Immigration in Postwar Britain: The Institutional Origins of a Multicultural Nation* (Oxford: Oxford University Press, 2000).

[4] Peter A. Hall, "Policy Paradigms, Social Learning and the State: The Case of Economic Policymaking in Britain," *Comparative Politics* 25, no. 3 (1993).

[5] Hall, ed., *The Political Power of Economic Ideas: Keynesianism across Nations* (Princeton: Princeton University Press, 1989).

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tinct categories of ideas have been delineated as factors influencing policy and politics:

1. ideas as culture—broad, shared understandings that shape, at times subconsciously, the belief patterns and behavior of those socialized into it[6]

2. ideas as expert knowledge—expertise built up within epistemic communities that under propitious conditions can be disseminated to a broader research and policy community[7]

3. ideas as the solution to collective action and free-rider problems—social identifiers such as class or religion that inspire individuals to actions they would not take had they not been grouped under the ideational abstraction[8]

4. ideas as "programmatic beliefs"—abstract, integrated, systematic patterns of belief with direct policy relevance[9]

Within any ideational category, ideas may have different causal impacts. In the most recent review of the literature, Sheri Berman outlines three distinct levels of causality requiring explanation.[10] First, how do ideas become politically prominent? Even as policy-relevant ideas constantly circulate among academics, journalist, NGOs, and political activists, most languish unnoticed with only a fraction making it into serious policy discussion. Second, how do ideas become institutionalized? Some, after all, come into political prominence but then disappear from serious political and policy discussion, as occurred with Fascism, a good, if contentious, example. Yet others become a permanent part of the landscape, either as the consensus or as one among several major competitors. Keynesianism was the former during the 1960s and, despite being overtaken by monetarism, remains the latter today. Finally, how do ideas actually come to exercise a causal influence on policy and/or politics? Simply showing that ideas, even prominent ones, are out there does not amount to answering the question.

This article seeks to respond to this last question through an examination of eugenic ideas and their influence on public policy between the world wars in Britain and the United States. Eugenic ideas (defined below) garnered extensive support and were similar in content in both countries, but eugenic-based policies varied sharply: the U.S. implemented extensive eugenicist policies, whereas the U.K. implemented none. Focusing on the cases of immigration and sterilization policy, the

[6] Ronald Inglehart, *Modernization and Postmodernization: Cultural, Economic and Political Change in Forty-three Societies* (Princeton: Princeton University Press, 1997).

[7] E. Adler and P. M. Haas, "Conclusion: Epistemic Communities, World Order, and the Creation of a Reflective Research Program," *International Organization* 46, no. 1 (1992), 380.

[8] Gordon Marshall et al., *Social Class in Modern Britain* (London: Unwin Hyman, 1989).

[9] Berman (fn. 1); Hugh Heclo, *Modern Social Politics in Britain and Sweden* (New Haven: Yale University Press, 1974).

[10] Berman, "Ideas, Norms and Culture in Political Analysis," *Comparative Politics* (forthcoming).

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article provides an ideational account of this puzzle. At the same time, it uses the two cases as a means for reflecting back on the role of ideas in politics more generally. Given that eugenic ideas were (broadly) equally powerful in both countries, the cases provide an ideal basis for shedding light on when and how extant ideational frameworks influence public policy.

Not only does the article provide a specific ideational account of contrasting policy outcomes across nations, but it also uses the eugenics cases as the basis for a consideration of the conditions under which ideational frameworks more generally are likely to influence politics. We argue that ideas are more likely to be translated into policy under three conditions: when there is a synergy between ideas and interests, when the actors possess the requisite enthusiasm and institutional position, and when timing contributes to a broad constellation of preferences that reinforce these ideas, rather than detracting from them. These points in turn branch out into broader theoretical debates. The first point relates to the issue of epiphenomenality—do ideas have an impact independent of actors and interests? While we associate ourselves with a powerful strain of thought linking ideas with interests, we argue that the result of this linkage is more, not less, independent ideational impact. Through the mechanisms of "cover" provision, reputation enhancement, and coalition building, the impact of ideas is maximized when they serve individual interests. The second incorporates the increasingly sophisticated insights of the historical institutionalist literature. The third draws on the recent, still embryonic theoretical work emphasizing the importance of timing for politics and policy, and it argues that there are two central ways in which this variable shapes the evolution of public policy. First, when political crises develop, usually unexpectedly, they undermine the policies associated with them. Second, timing contributes to a process of cognitive association that undergirds or undermines particular policies.

The article comprises five sections. The first defines eugenics and outlines the basic puzzle that the article seeks to explain. The second analyzes the nature of the eugenic ideas in the two countries, emphasizing the high degree of commonality between them. The third compares the (unsuccessful) British campaign for a eugenic-based population policy in the form of voluntary sterilization with the (successful) American campaign in favor of eugenics-based immigration policies. The fourth provides an ideational account of the contrast between the two results. Finally, the fifth summarizes the argument and considers its theoretical implications.

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I. Eugenic Ideas in Britain and the U.S.

During the first three decades of the twentieth century, eugenics—along with racism and imperialism—had a profound influence on thinking in Europe and North America. Eugenics, defined by its founder as "the study of agencies under social control that may improve or impair the racial qualities of future generations, either physically or mentally,"[11] had two essential components. First, its advocates accepted as axiomatic that a range of mental and physical handicaps—blindness, deafness, and many forms of mental illness—were largely, if not entirely, hereditary in cause. Second, they assumed that these scientific hypotheses could be used as the basis of social engineering across several policy areas, including family planning, education, and immigration. The most direct policy implications of eugenic thought were that "mental defectives" should not produce children, since they would only replicate these deficiencies, and that such individuals from other countries should be kept out of the polity. In addition, many eugenicists believed that those suffering from these illnesses were predisposed to greater procreation, with the result that entire nations and/or continents were biologically inferior. However instinctively unappealing these ideas are now, they—along with equally common notions of racial inferiority—enjoyed wide currency. Although detractors existed, these beliefs were held with the same conviction that the opposite positions—that all races are equal, that imperialism is evil, that all forms of human life are worthy of equal respect and treatment—are held today.

Eugenics was an international movement articulating genetic hypotheses, social theory, and policy prescriptions. Originating in the U.K., it spread to Germany, Scandinavia, France, North America, and Australia, with a high level of consistency in the content of the ideas and the policy proposals generated by them. What is striking is that the policy outcomes flowing from them differed; hence the case selection. Despite the fact that both the U.S. and Britain shared similar liberal values, policy outcomes varied sharply: eugenic policies were widespread in the former and essentially nonexistent in the latter. This article offers an ideational account of the policy variance in the fate of a common heritage of eugenic ideas that were particularly well articulated and similar in the two countries.

[11] Francis Galton, *Memories of My Life* (London: Methuen 1908), 321.

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Other Lines of Theoretical Inquiry

The cases are particularly interesting in that they seem to undermine the expectations of powerful strains of institutionalist theory that have dominated qualitative social science over the last decade and of path-dependence theories. In the first instance, as historical institutionalists have emphasized, Britain is the quintessential unitary state with a strong executive, a weak legislature, an emasculated court, and no bill of rights;[12] the U.S. is a federation with a powerful legislature, a weak executive, and a strong (if then more timid) judiciary supported by a bill of rights with unquestioned legitimacy. In other words, in the polity providing for multiple veto points and blocking strategies of any bold policy innovation—the U.S.—eugenic policies were adopted earlier and taken further, as numerous states adopted sterilization polices and thousands of individuals were sterilized.[13] Indeed, only Nazi Germany—in which institutional opposition and civil society were crushed—had a more ambitious program. Likewise, the country that had operated the world's most liberal immigration regime from 1776 until 1882 adopted race-based and eugenic-inspired immigration policies. At the opposite end of the institutional spectrum—Britain—no eugenic policies were adopted. This was the country whose institutions provide few channels for gaining access to policy networks while privileging those actors who manage to do so and the one that most easily and directly translates policy preferences into policy outcomes. The British pattern obtained despite the existence of a high-profile policy committee that proffered extensive evidence in favor of voluntary sterilization schemes.

At the same time, other influential studies have incorporated a different explanatory variable, policy trajectories, variously referred to as path dependence or (more generally) policy feedback.[14] With respect to eugenics, however, previous policy was not a predictor of subsequent policy. Rather, the concept of sterilization was peculiar to the violent and messianic twentieth century, so policies encouraging it broke new ground. Moreover, in the area of immigration, which was also heavily conditioned in some countries by eugenic ideas, previous race-based policies founded on assumptions of racial/national hierarchies did not

[12] On this, see Hansen (fn. 3).

[13] Edward Larson, *Sex, Race, and Science* (Baltimore: Johns Hopkins University Press, 1995); John W. Trent, *Inventing the Feeble Mind* (Berkeley and Los Angeles: University of California Press, 1994).

[14] Paul Pierson "When Effect Becomes Cause: Policy Feedback and Political Change," *World Politics* 45 (July 1993); Bo Rothstein, *Just Institutions Matter* (Cambridge: Cambridge University Press, 1998); Kathleen Thelen, "Historical Institutionalism and Comparative Politics," *Annual Review of Political Science* 2 (1999).

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result in their extension. Thus, although a British campaign in which Jews and East Europeans were demonized as biologically inferior was followed by the avowedly anti-Semitic immigration legislation of 1905, there were afterward no additional immigration measures of that type. The policy was liberally applied, but its racist aspects were curtailed, with subsequent policy driven by security concerns and with Germans being the obvious target. In the U.S., immigration policy was famously open until the 1920s, when eugenics arrived with a vengeance.[15] Race-based quotas were implemented, and the country became until the 1960s *kein Einwanderungsland* (not a land that welcomed immigrants).

Viewed from the perspective of the theories of institutional structures and policy legacies, the outcomes in Britain and the U.S. are a puzzle. Why did the profound intellectual support enjoyed by eugenics in the U.K., backed up by government-sponsored commissions, not translate into a eugenic-based sterilization policy? Why, despite the powerful myth of the U.S. as a country of immigration and despite the multiple veto points provided to all actors opposing radical policy change, did the U.S. adopt eugenic-based immigration policies? And what do these two cases reveal about the role of ideas in politics?

Measuring the Influence of Ideas on Politics

The development of techniques for delineating the existence of ideas as independent variables and establishing their influence on political processes and public policies has been patchy. Berman outlines the methodological steps she considers prerequisite to demonstrating a role for ideas in determining policy choices. One must first establish the existence of ideologies or "programmatic beliefs"—abstract, integrated, systematic patterns of belief with aims directly relevant to particular courses of policy. One must then show an observable correlation between these ideas and selected public policies that conform in their broad outlines to the ideas' basic tenets. Thus, although Milton Friedman promulgated his ideas in the 1960s, there would be little point in looking for the influence of monetarism on Harold Wilson's or Lyndon Johnson's economic policies. And finally one must specify the mechanisms through which the ideas can be demonstrated to directly influence politics in a way that is not merely epiphenomenal to material interests.[16] The issue of epiphenomenality is central, and we return to it later.

[15] Desmond King, *In the Name of Liberalism: Illiberal Social Policies in Britain and the U.S.* (Oxford: Oxford University Press, 1999), chap. 4.

[16] Berman (fn. 1), introduction, esp. 19–25.

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Applying this framework to the study of eugenic ideas, there is a prima facie case for the influence of ideas on politics. Eugenic ideas were abstract, systematic, and integrated, positing an essentially genetic—hence, scientific—basis to biological and intellectual fitness across individuals and nations. They offered clear policy prescriptions across policy areas: health policies encouraging (or requiring) the sterilization of "mental defectives," immigration policies favoring Northern Europeans and excluding Southern Europeans and the developing world, and family policies that encouraged procreation among the genetically fit. A significant number of nation-states and/or subnational governments adopted policies in some or all of these areas.

In what follows, we address the question through an analysis of proeugenicist campaigns in the two countries: the British campaign in favor of voluntary sterilization (which failed) and the American campaign in favor of eugenics-based immigration policies (which succeeded).[17] We argue that the policy variance between the two countries reflected not the strength of the ideas in the two countries (which were broadly similar) but rather the degree to which ideas mapped onto policymakers' (and particularly politicians') strategic political interests. Where they did, as in the U.S., eugenics succeeded; where they did not, as in the U.K., eugenics failed. As we discuss, institutional position and timing serve as important intervening variables.

II. Eugenic Ideas and Policies in Britain and America

Based on a process-tracing analysis[18] of the evolution of eugenic policies in both countries, we argue that there are two reasons why eugenic ideas influenced policy in the U.S. but failed to do so in Britain. First, the U.S. saw a particular synergy between eugenic ideas and strategic interests: motivated by political opportunism and (in some measure) racism, Congressman Albert Johnson, chair of the House Committee on Immigration, found in eugenic ideas a powerful justification, apparently backed by nothing less than science itself, for a restrictive immigration policy enjoying, it seemed, increasing public support. By contrast, in the U.K., while eugenic ideas enjoyed support among

[17] It would be tempting to compare American sterilization policies, which were widespread, with the absence of such policies in the U.K., but the institutional origins differ sharply: sterilization in the U.S. was a state-level policy, whereas it would have been national in the U.K. Comparing British sterilization policy with American immigration policy, however, allows a cross-national comparison.

[18] Andrew Bennett and Alexander L. George, "Research Design Tasks in Case Study Methods," http://www.georgetown.edu/bennett/RESDES.htm (consulted April 2000).

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politicians and while much of the intellectual and cultural elite thought that there was much to be said in favor of (at least voluntary) sterilization, open support for it brought as many political risks as payoffs because of strong opposition from labor and Catholics. Second, because the enactment of American eugenic policies predated by almost a decade Nazi Germany's adoption of ruthless population policies, which led to the murder of some mental patients and to the forcible sterilization of tens of thousands more, the issue in the U.S. was not contaminated by association with Nazi practices.

Both points have broader theoretical implications. The first relates to the question of epiphenomenality, or the argument that the influence of ideas is derivative of actors' interests. Though the first argument would seem to suggest that eugenic ideas were epiphenomenal, it in fact does not. The measure of the impact of ideas has to be their effect on public policy; in other words, if the ideas were unavailable, would the policy be different or nonexistent?[19] In the U.S. immigration case restrictionist arguments were more convincing and enjoyed greater support because they were embedded in eugenicist thought. The linking of ideas with interests magnified the impact of both the ideas (giving them a carrier who would act as their spokesperson in the political sphere) and the restrictionist case with which they were linked. The second point relates to the issue of *timing*, which is central to the question of when ideas and ideational frameworks will have a policy impact and when they will not. Ideas that are enthusiastically received in one decade will fall flat or be overwhelmingly resisted in another. The eugenics cases highlight some factors explaining why.

Eugenics in the United Kingdom

Eugenics attracted support from an eclectic group of scientists, Fabians, upper-class conservatives, and civil servants.[20] A recent study by Richard Soloway marvels at "the persuasiveness of qualitative biological evaluations that fell under the broad mantle of eugenics. . . . Eugenics permeated the thinking of generations of English men and women worried about the biological capacity of their countrymen to cope with the myriad changes they saw confronting their old nation in a new century."[21]

[19] This standard meets the falsifiability requirement.

[20] The precise composition of what can broadly be called the eugenics movement is a matter of some scholarly debate. See, in particular, Michael Freeden, "Eugenics and Progressive Thought: A Study in Ideological Affinity," *Historical Journal* 22, no. 3 (1979); and Greta Jones, "Eugenics and Social Policy between the Wars," *Historical Journal* 25, no. 3 (1982).

[21] Soloway, *Demography and Degeneration* (Durham: University of North Carolina Press, 1990), xvii–xviii.

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While the precise nature of the eugenics movement is a matter of debate, it was bound together by a belief that an alteration of the gene pool would have a range of positive consequences—decreasing the fertility rate of the poor and mentally defective, reducing public funds needed for poor relief, insane asylums, and prisons; and warding off British economic and imperial decline—a fear that haunted the British political elite in the post-1914 period. For them the robust confidence of the belle époque appeared gone forever.

Eugenic Aims

Although plagued by a lack of scientific consensus on the hereditary basis of mental deficiency,[22] eugenicists crystallized their policy positions within the plush (then much more so than now) walls of the British government and establishment: over the course of ten years, two high-profile committees made up of the leading lights of the British establishment contributed to the eugenic cause. In 1924 the Wood Committee was appointed with the prosaic task of reviewing the procedure for ascertaining the number of mental defectives.[23] Its membership included the prominent eugenicists Cyril Burt, Evelyn Fox, A. F. Tredgold, and Douglas Turner. The committee soon associated itself with the then widespread fear that the rate of mental deficiency was accelerating.[24] And its 1929 report praised the "science of eugenics"and employed its terminology:

> If, as there is reason to think, mental deficiency, much physical inefficiency, chronic pauperism, recidivism are all parts of a single problem, can it be that poor mental endowment manifesting itself in an incapacity for social adjustment and inability to manage one's own affairs, may not be merely a symptom but rather the chief contributory cause of these kindred social evils?[25]

The report catalyzed the Eugenics Society to intensify its parliamentary lobbying efforts in favor of sterilization: the Committee for Legalizing Eugenic Sterilization was formed to draft a sterilization bill and to build a coalition of support, drawn from the social work, public health, and mental care communities.[26] But the society's only notable

[22] This point has been emphasized by John Macnicol, "The Voluntary Sterilization Campaign in Britain, 1918–39," *Journal of the History of Sexuality* 2, no. 3 (1992). It has, however, a certain retrospective ease to it: science rarely moves forward by consensus, and the most politically influential opinion is not necessarily the majority one.

[23] *Report of the Mental Deficiency Committee* (Wood Report) (London: HSMO, 1929).

[24] Macnicol (fn. 22), 429.

[25] Wood Report (fn. 23), 83.

[26] Macnicol (fn. 22), 429.

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success was a request by a Major A. G. Church, Labor M.P. (and a member of the society's Committee for Legalizing Eugenic Sterilization) in 1931, for leave to introduce a private member's bill legalizing the operation. The request, which was portrayed by its opponents as fundamentally anti–working class, was defeated by 167 votes to 89.[27] Systematic attempts by C. P. Blacker, secretary of the society, to recruit Labor Party supporters to the cause in order to refute this charge were mostly unsuccessful.[28] Failing in its attempt to exert direct parliamentary pressure, the society turned to civil servants in the Ministry of Health and on its Board of Control. Through lobbying, and through deputations by ostensibly less partisan bodies such as the Central Association for Mental Welfare,[29] the Association of Municipal Associations and the County Councils' Association,[30] the eugenicist movement managed to secure the appointment of a departmental committee on sterilization under the chairmanship of Sir Laurence Brock.[31]

In 1932 the Brock Committee was assigned the task of assessing the extent to which mental illnesses were hereditary and to evaluate the utility of sterilization as a way of stemming the spread of such illness. The committee held thirty-six meetings, took testimony from sixty witnesses, received a plethora of statistical data, and issued its report in 1934.[32] Brock was a senior civil servant who had spent much of his career dealing with health matters (serving as assistant secretary at the ministry, 1919–25). Key members of the committee—Fisher, Tredgold, and above all Brock himself—were enthusiasts of eugenics; Brock regularly supported the Eugenics Society, while Fisher belonged to the Committee for Legalising Eugenic Sterilisation. He advised the Eugenics Society on drafting its bill for voluntary sterilization. Brock was instrumental in having the committee appointed under his own leadership, and he dominated the proceedings.[33]

[27] *Parliamentary Debates*, Commons, 5th ser., vol. 255 (July 21, 1931), cols. 1245–58.

[28] Soloway (fn. 21), 198–99.

[29] Resolution passed at meeting of the executive council of Central Association for Mental Welfare, PRO MH58/103, July 8, 1929. The association had links with the Eugenics Society, and it was an active promoter of sterilization.

[30] Letter from the Mental Hospitals Association to the secretary, Ministry of Health, PRO, MH58/103, November 27, 1931; deputation from CCA, AMC, and MHA, brief for the minister' s reply, PRO, MH58/103, November 28, 1931.

[31] Macnicol (fn. 22), 430.

[32] House of Commons, "Report of the Departmental Committee on Sterilisation" (Brock Report), Cmd 4485, Parliamentary Papers, 1934, vol. 15, p. 611.

[33] Letter from Brock to Robinson about the committee's membership, PRO, MH79 292, April 22, 1932; and Macnicol "Eugenics and the Campaign for Voluntary Sterilization in Britain between the Wars," *Social History of Medicine* 2, no. 2 (1989), 167.

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The committee report came out in favor of a bill supporting the voluntary sterilization of mental defectives:

> [W]e know also that mentally defective and mentally disordered patients are, as a class, unable to discharge their social and economic liabilities or create an environment favourable to the upbringing of children, and there is reason to believe that sterilization would in some cases be welcomed by the patients themselves. . . . In this view we are unanimous and we record it with a full sense of our responsibility. . . . [There is an] "overwhelming preponderance of evidence in favour of some measure of sterilization."[34]

Thus, following more than a decade of intensive organization, scientific study, and public debate largely organized by the Eugenics Society, the eugenics movement articulated a clear programmatic agenda, backed by some of Britain's most eminent scientists (if not by science itself), and a discrete policy goal: the voluntary sterilization of mental defectives.

Eugenic Ideas in the United States

Inspired by British eugenicists,[35] the American eugenics movement originated in the late nineteenth century, and it enjoyed its greatest legislative achievements in the late 1910s and 1920s, peaking with the 1927 Supreme Court decision, *Buck v. Bell*. Whereas the British eugenics movement was exercised by the mental inferiority and sexual promiscuity alleged to be rife in working-class slums, American eugenicists focused on the "racial" inferiority of nationalities whose entry into the U.S. threatened the American gene pool. These ideas enjoyed extensive support.[36] Exploiting the "prestige of science,"[37] political elites cited eugenic research in support of policies to sterilize selected patients and, as this article illustrates, in support of restrictive immigration policies based on a purportedly scientific hierarchy of "races." Such motives are evident among the eugenicists advising on U.S. immigration policy. This role interacted favorably with the claim not only that physical traits were reproduced generationally but also that behavior, too, had its roots in biology. Social Darwinism pandered to this tenet, with its claims about the extent to which the offspring of the poor, or the criminal, or the feeble-minded were themselves likely to reproduce these

[34] Brock Report (fn. 32), 39.

[35] Mark H. Haller, *Eugenics: Hereditarian Attitudes in American Thought* (New Brunswick, N.J.: Rutgers University Press, 1984), introduction.

[36] Frank Dikotter, "Race Culture: Recent Perspectives on the History of Eugenics," *American Historical Review* 103 (April 1998), 467.

[37] Ibid., 468.

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parental defects. This approach leads directly into the family histories undertaken and popularized in the United States from the 1890s. Essential to this research was a fear of racial degeneration. Natural selection was viewed as a healthy struggle between nations, individuals, and races: "This conflict, far from being an evil thing, was nature's indispensable method for producing superior men, superior nations, and superior races."[38] The eugenicists' alarm about racial degeneration reflected their specific fears: that higher birthrates among the genetically inferior would lead to a "menace of the feeble-minded"[39] and that inferior nations, men, and races would, through immigration, undermine American supremacy. The American eugenicists defined as superior those people descended from Nordic or Aryan stock, and they classed as inferior those of East European, Mediterranean, Asian, African, Native American, or Jewish descent.

The Eugenicist Case

Eugenics gradually gained in strength over the course of the first three decades of what became the American century. In a manner broadly equivalent to what happened in Britain, Congress gave encouragement to the movement through the appointment of the Dillingham Commission (established in 1907, reporting in 1910). Like the Brock Committee before it, the American commission saw a threat in concentrated pockets of genetic inferiority. While the former believed that "defectives drift to the slums," where "like marries like . . . and the chances of two carriers [of defective genes] mating is many times greater than it is in any other section of the population,"[40] the Dillingham Commission argued (from an exhaustive study of seven cities) that "the new immigrant races live largely in colonies . . . and . . . are as a class far less intelligent than the old."[41] The new immigrants were disproportionately represented in asylum populations (47,078 of 150,151 committed to asylums) and among the mentally feeble.[42] The commission recommended a series of restrictionist measures: a literacy test to immigrants (enacted in 1917 after many previous failed attempts), a quota by race "arriving each year [fixed at] a certain percentage of the average of that

[38] Thomas F. Gossett, *Race: The History of an Idea in America*, rev. ed. (New York: Oxford University Press, 1997), 145.

[39] House Committee on Immigration, NA RG 233, 69th Cong., letter from Frank L. Babbott, president, Eugenics Research Association, to Congressman Johnson, March 31, 1927, Committee Papers, Box 341, Folder: H.79A-F20.1.

[40] Brock Report (fn. 32), 41–42.

[41] Senate, *Report of the Immigration Commission* (Washington, D.C.: GPO, 1910).

[42] Ibid., 9, 22.

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race arriving during a given period of years," the exclusion of unskilled workers without dependents, an increase in the head tax, a requirement of minimum resources on arrival, and annual limits at each port.

If the Dillingham Commission reflected a mix of eugenicist argument and pre-eugenicist restrictionism, the latter became boldly eugenicist when it became linked with fears of high birthrates. Statistics on higher incidence of crime and "insanity" among recent immigrants, however dubious and disregarding of second-order causes (poverty, lack of education, racism, and so on), slid easily into the argument that those from Southern and Eastern Europe were inferior to those from Northern Europe. If such inferior immigrants were arriving in large numbers and/or tended to have higher fertility rates, then the fear of inferiority became a fear that "the old Anglo-Saxon, Nordic stock was in danger of being swamped by a massive increase in the number of hereditary degenerates."[43] By the mid-1910s these fears had spread rapidly through eugenicist networks. In 1914 both the Medical Society of New York State and the Massachusetts Medical Society complained to the House of Representatives Immigration Committee that procedures for screening immigrants had failed to weed out the "mental defective." The societies warned of the "direful consequences of [immigrants] being allowed to marry and to propagate and so deteriorate the mental health of the nation."[44]

Thus, just as the echoes of distant thunder drew the U.S. into the world war, eugenics had—as it had in the U.K.—evolved into a coherent, respectable ideology proffering clear prescriptions for fending off genetic and national weakness. In the same way that many British eugenicists linked genetic inferiority, sexual excess, and high fertility with class, their American counterparts linked them with nationality. Harry Laughlin, of the Eugenic Record Office, was a man who would play a high-profile policy role in the 1920s.[45] He argued that (non–North European) immigration exacted a double toll: it imposed both a fiscal burden (because such immigrants were more likely than native-born Americans to be "degenerate" and to require institutional care) and a racial cost (by diluting the quality of the national stock).[46] Dilution in this context alluded to biological degeneracy resulting from intermar-

[43] Garland Allen, "The Role of Experts in Scientific Controversy," in H. Tristram Englehardt, Jr., and A. L. Caplan, eds., *Scientific Controversies* (Cambridge: Cambridge University Press, 1987), 172.

[44] House Committee on Immigration, petitions from the New York and Massachusetts Medical Societies, NA RG 233, 63d Cong., Box 458, Folder: H.R.63A-H8.1.

[45] King (fn. 15); and Stefan Kuhl, *The Nazi Connection* (New York: Oxford University Press, 1994).

[46] See, for instance, letter from Laughlin to James J. Davis, secretary of labor, July 30, 1930, in Laughlin Papers Folder C-4-1, Special Collections, University Archives, Truman State University.

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riage, as well as to cultural contamination, dangers often considered associated. The solution lay, as a British eugenicist put it, in "cutting off the worst":[47] sterilizing the unfit and, in the U.S., closing the borders to any more of them.

III. The Eugenicist Campaigns: American Success versus British Failure

Despite the broad ideological continuity between the U.S. and the U.K. and despite the similar early institutional forms the eugenicist reform campaigns took in the two countries, the result was policy divergence: American immigration policy was reformed along eugenicist lines, whereas British family/natalist policy never involved sterilization, whether forced or voluntary. This section traces these divergent outcomes.[48]

The British Campaign

The publication of the prosterilization Brock Report was a high point for the Eugenics Society. It welcomed the committee's work and recommendations for setting out the way toward a sterilization policy: "We think that, if the general public could be educated to distinguish between sterilization and castration, many members of the Social Problem Group [that is, the mentally handicapped] would avail themselves of facilities for voluntary sterilization in order to prevent the birth of unwanted children. This, however, could only happen if a eugenic conscience and a racially conscious public opinion could be created."[49] Thus, those who would most benefit from sterilization had to be educated to recognize the appropriateness of making such a choice, and the Eugenics Society saw as its defining mission the assumption of the leadership of the campaign to disseminate pro-eugenicist sterilization propaganda.[50] The report, the society hoped, would advance such a eugenic consciousness.

The publication of the Brock Committee's report was followed by petitions in favor of legislation on sterilization. At the Ministry of Health, Arthur Robinson suggested to the minister that he should try

[47] Brock to Robinson, PRO, MH79/292, March 16, 1932.

[48] Their origin cannot simply be that restrictive immigration policies were easier to adopt than sterilization, as the U.S. enacted policies in both areas.

[49] Evidence submitted by the Eugenics Society to L. G. Brock's Sterilization Committee, PRO, MH51/228 31100, March 1, 1933, 26.

[50] Ibid.

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to get a debate on the report on a private member's motion.[51] In late January 1934 the health minister, Hilton Young, wrote to Wing Commander A. W. H. James M.P., asking him to convince as many M.P.s as possible to vote in favor of a motion on voluntary sterilization.[52] The latter thereafter served as the main proponent of sterilization in Parliament. A deputation to Young, made up of representatives from the Joint Committee on Voluntary Sterilization, the County Councils Association, the Association of Municipal Corporations, and the Mental Hospitals Association presented him with a draft bill for voluntary sterilization. It cited the support of an impressive litany of professional bodies.

Young listened to the deputation but remained skeptical about legislation. He told the group that while "much public opinion had undoubtedly been massed in favour of the report," on the other hand, "the effect of the report had also been to intensify the activity of those who opposed, generally on religious grounds, the principle of sterilization." As a consequence, Brock's report had "formed fresh opinion in favour of sterilization but had left the old opposition unshaken."[53] Young admitted to being persuaded of the "desirability" of the Brock proposals but was extremely anxious about their opponents and the general unease of public opinion on a measure that many—to the dismay of eugenicists—thought involved "cutting people up."[54] This line was one adopted from the time of the publication of Brock's report. A parliamentary question on June 13, 1934, requested that the views of local authorities be ascertained, and the minister told Dr. Blacker in July of the same year that public opinion remained unprepared for sterilization.[55] The report was taken up further in the House in July 1934 by James, when his order paper motion was heard. He spoke critically: "I regret that, when we have a unanimous report on this very important subject by so weighty a committee, the Government has not yet found it possible to implement it or to hold out any immediate prospect that they are going to do so."[56] This discussion, however, was the extent of parliamentary debate and it did little to bring a bill on sterilization closer. Sterilization, voluntary of otherwise, which had enjoyed exten-

[51] Minute, Ministry of Health, PRO, MH58/104B, January 25, 1934.
[52] Letter from Young to James, PRO, MH58/104B, January 26, 1934.
[53] Report of the meeting between the minister of health and deputation of associations, PRO, MH58/100, May 23, 1935, 2.
[54] Ibid. See also Macnicol (fn. 22).
[55] Minute to Miss Sharp, PRO, MH58/10, March 15, 1935.
[56] *Parliamentary Debates*, Commons (July 3, 1934), col. 1825.

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sive intellectual and political support in 1920s Britain, was never to see the light of day in the U.K.

The American Eugenicist Campaign and Immigration

Whereas the interwar years turned out to be a time of profound disappointment for British eugenicists, their American counterparts enjoyed a series of legislative successes. Numerous states—including Virginia, California, South Carolina, and West Virginia—enacted voluntary (and not so voluntary) sterilization policies and won the backing of the Supreme Court. Writing the majority decision in the 1927 *Buck v. Bell*, which upheld a Virginia state law permitting sterilization of a "feebleminded" and "moral delinquent" Carrie Buck, the U.S. jurist Oliver Wendell Holmes declared that "three generations of imbeciles are enough" and that it was legitimate for the state to prevent the reproduction of "degenerates."[57] Buck was duly sterilized, as were many citizens in other American states that had enacted comparable laws.[58] Reducing the number of such citizens would have fiscal dividends for society, it was claimed, and also result in a more robust population.

At the same time the immigration argument, too, followed the eugenicist line of thought. As in the U.K., eugenicists were brought into the policy-making apparatus, as the House Committee on Immigration sought evidence from them. In 1920 Harry Laughlin gave testimony before the House Committee on Immigration on the "biological aspects of immigration." Laughlin used the occasion to rehearse arguments familiar in eugenic circles but probably less well known to policymakers or the public. He also introduced the first of his several documentations about the high public cost of maintaining immigrants who needed professional care or were incarcerated. This fiscal calculation was a salient strand of eugenic thought in the 1920s. Laughlin told the committee that "the character of a nation is determined primarily by its racial qualities: that is, by the hereditary physical, mental, and moral or temperamental traits of its people." This approach set the research agenda at the Eugenics Record Office, which was to acquire detailed records from insane hospitals and prisons and use them to assess the relative importance of heredity and environment in forming "degenerate Americans."[59]

[57] *Buck v. Bell*, 274, U.S. 200 (1927), 207. See Paul A. Lombardo, "Three Generations, No Imbeciles: New Light on Buck v. Bell," *New York University Law Review* 60 (1985).

[58] As recounted in Larson (fn. 13).

[59] House Committee on Immigration and Naturalization, *Biological Aspects of Immigration*: Hearings, 66th Cong., 2d sess., April 16, 1920, 3.

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The House committee asked Johnson to produce a series of reports. In 1922 Laughlin produced a 100-page analysis of America's melting pot; in 1924 he reported his extensive field research (in 120 pages) in the main emigrant-exporting countries in Europe; and in 1928 he discoursed (from an 80-page study) on the "eugenical aspects of deportation," building upon his earlier work. Each study was widely distributed and discussed.

For the melting pot study, Laughlin derived a set of predictions (termed quotas) from the 1910 census, about how many members of each nationality—based on a normal distribution—should be found in state institutions (about each of which data were collected for January 1, 1921).[60] Applied to a huge data set, Laughlin suggested that the "outstanding conclusion" of his analysis was that "making all logical allowances for environmental conditions, which may be unfavorable to the immigrant, the recent immigrants, as a whole, present a higher percentage of inborn socially inadequate qualities than do the older stocks."[61] He singled out a number of European countries from the data that vastly exceeded their predicted quotas and were guilty of "dumping" their socially inadequate on the United States. In respect of insanity these included Russia, Finland, Poland, Ireland, Bulgaria, and Turkey, findings that were consistent with those of the Dillingham Commission.

The Eugenic Bases of U.S. Immigration Policy

The upshot was that Laughlin's research, together with that of other eugenicists, provided the blueprint for U.S. immigration policy and was reflected in formal legislation—the 1924 Johnson-Reed Act based on national quotas. From 1927 immigration was limited to a total of 150,000 annually, of whom nationalities resident in the United States according to the 1890 census could claim 2 percent each. A commission established by the 1924 act formulated the national origins formula, which was finally implemented in 1929. This formula apportioned quotas on the basis of the estimated national origins distribution of the white population in the U.S. in the 1920 census.

From 1924 U.S. inspectors had a significant role in vetting potential immigrants in their home country, a procedure Laughlin wanted strengthened (though it is unlikely that questionnaire results could predict accurately which individuals would become public charges). Im-

[60] House Committee on Immigration and Naturalization, *Analysis of America's Modern Melting Pot*: Hearings, 67th Cong., 3d sess., November 21, 1922, 733.

[61] Ibid., 755.

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proving these mechanisms was linked directly by Laughlin and the House committee with the need to reinforce eugenic principles in immigration policy: they mounted campaigns, in which race became, for one observer, "by far the most powerful source of objection" to immigrants.[62] This system was dismantled only in 1965.

IV. Accounting for the American-British Contrast

The eugenicist campaigns in the U.S. and the U.K. provide fertile comparative ground for those interested in understanding the contrasting role of ideas in policy-making across nations. Despite highly similar ideological movements and broadly similar patterms of policy evolution (the appointment of high-level committees designed to marshal evidence in favor and against the eugenicist cause), policy outcome varied, and varied sharply.

Ideas and Interests

The most important factor accounting for British failure and American success is the degree of convergence between eugenic ideas and actors' strategic interests. Support for immigration control had been growing since the 1880s in the U.S., as white, Anglo-Saxon, and German immigrants (and their children) saw themselves and their vision of the U.S. threatened by Southern European, Irish, and non-European immigration. The American Protection Association, founded in 1887, had two million members by the mid-1890s and the support of the Immigration Restriction League, formed in May 1894 by a group of Harvard graduates.[63]

In the 1910s and 1920s such concerns were fueled by an outraged press. In 1923 the *Saturday Evening Post* published one of its restrictionist articles, by Kenneth Roberts, about Laughlin's report, which stirred up public alarm. Complaining that permanent legislation had been unduly delayed, the journalist reported, from a study by Harry Laughlin that "the cost of supporting these socially inadequate people of alien stock is so great that nearly 8 percent of the total expenditures of all the states must be devoted to their upkeep in state custodial institutions."[64] The linking of immigration with costs—and by implication

[62] Gossett (fn. 38), 297.

[63] Barbara M. Solomon, *Ancestors and Immigrants* (Chicago: University of Chicago Press, 1956); Desmond King, *Making Americans: Immigration, Race, and the Orgins of the Diverse Democracy* (Cambridge: Harvard University Press, 2000).

[64] Kenneth L. Roberts, "Lest We Forget" *Saturday Evening Post*, April 18, 1923, 160.

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with individuals who are unwilling to roll up their sleeves and work hard to make a go of it—resonated strongly with the American public, as it does today. Some seventy-five years later majority support for 1996 welfare legislation limiting social entitlements to American citizens (as opposed to permanent residents legally resident in the country) was sealed when Congressional Budget Office figures stated that the measure could save net $25 billion.[65]

For politicians looking for a career-defining issue, anti-immigration was a winner. In 1918 Johnson was elected to Congress as a staunch restrictionist, and a year later he assumed the chairmanship of the House Committee on Immigration and Naturalization.[66] Eugenics was to be the ideal tool, a perfect marriage of ideas and interests. Johnson provided the eugenicists with a prestigious platform from which to proffer and secure support for their ideas; the eugenicists provided Johnson with the putative scientific support that made his case seem for many incontrovertible. Thus, it was Johnson who asked Laughlin to undertake his famous 1920s studies, which later became the basis of U.S. immigration policy.

By contrast, the strategic value of sterilization policy was far less clear for British policymakers. Part of this reflected the rigid nature (much more so then than now) of the British class structure. The eugenicists, fully fledged toffs to a man (and they were almost all men), faced class suspicion from the labor movement, Labor M.P.s, and the working class in general, many of whom viewed sterilization and the eugenicist project more generally as a concealed class war.[67] This suspicion stemmed in part from institutionalist roots: the British educational system tracked the elite from wealthy professional and aristocratic families from an early age, as they moved from exclusive public schools such as Eton and Harrow, to Oxbridge, and finally to the civil service, politics, and/or the empire.[68] The segregation was near complete, and it nourished suspicion and hostility among large (though not all) sections of working-class opinion. Working-class opposition dogged the prosterilization campaign until the end. In the context of a party system that had coalesced around a Tory/Labor split following the decline

[65] Susan Martin, "The Attack on Social Rights: U.S. Citizenship Devalued," in R. Hansen and Patrick Weil, *Dual Nationality, Social Rights and Federal Citizenship in the U.S. and Europe* (Oxford: Berghahn, 2001).

[66] King (fn. 15), 70.

[67] Macnicol (fn. 33), 163.

[68] Oli Waever, "The Sociology of a Not So International Discipline: American and European Developments in International Relations," *International Organization* 52, no. 4 (1998), 710–12. We thank Sven Steinmo for pointing this out.

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of the Liberals, this meant that one of the two major parties was consistently opposed to sterilization, and the other risked alienating working-class Conservatives, "angels in marble," as Disraeli famously put it, on whose support Tories have always relied.[69]

At the same time Catholic opinion was sharply opposed. Although representing a small proportion of British population, the Catholic church magnified its influence by joining with the labor movement in an antisterilization coalition. Together, this opposition sharply reduced the government's incentive to legislate: when the deputation visited the minister of health in 1935, he responded discouragingly, citing a skeptical public.[70] It was recommended that the minister assure the deputation that the proposal to legislate on sterilization was "receiving the active attention of responsible Ministers."[71] In other words, little was to be done.

The divergence between the cases reflects, then, not the strength of the ideas—coherent, policy-relevant frameworks[72]—but the degree of fit between ideas and actors' material interests. This points needs to be developed. The debate among political scientists about interests—about whether they are independent of institutions or defined by them, whether they are transparent or concealed, whether they are equivalent to revealed preferences or not—continues,[73] but we know that political actors pursue some combination of interests—gaining votes (whether through maximization or through simply minimum winning coalitions), moving up within the party and committee hierarchy, influencing the content of policy, enhancing their individual prestige, and/or aggrandizing power. The specific content of the interest is less important than the actor's perception that particular ideational frameworks further these interests.[74] In such an instance those actors will act as their spokesmen. Taking a perception that ideas advance an actor's interest as the key predictor of when those ideas will transfer to politics has the advantage of parsimony, and it also answers the call to specify

[69] On this, see Robert McKenzie and Allan Silver, *Angels in Marble* (London: Heinemann Educational, 1958).

[70] Notes for the minister, "Deputation on Voluntary Sterilisation," PRO MH58/100, May 17, 1935, 4–5.

[71] Ibid., 5.

[72] On this, see Berman (fn. 1).

[73] Sven Steinmo, Kathleen Thelen, and Frank Longstreth, *Structuring Politics: Historical Institutionalism in Comparative Politics* (Cambridge: Cambridge University Press, 1992), introduction; George Tsebelis, *Nested Games: Rational Choice in Comparative Politics* (Berkeley: University of California Press, 1990).

[74] Peter Gourevitch put this point well: "To become policy, ideas must link up with politics—the mobilization of consent for policy. Politics involves power. Even a good idea cannot become policy if it meets certain kinds of opposition, and a bad idea can become policy if it is able to obtain support." Gourevitch, "Keynesian Politics: The Political Sources of Economic Policy Choices," in Hall (fn. 5), 87–88.

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the "mechanism of translation from academic debate to public consciousness."[75]

Institutional Position and Individual Enthusiasm

Related to this point is the issue of institutional position, which further contributes to whether the ideas are incorporated, refracted, or simply rebuffed. The cases at hand appear at first blush to violate the predictions of institutionalist theory, as the concentration of power in the British executive did not in itself make the reception of eugenic theory easier.[76] Likewise, the critical factor was not, as James Walsh has recently argued, whether "it is adopted by the leadership of a bureaucracy that has sole authority over the relevant policy tools."[77] In the U.K. the minister of health had full responsibility—subject to the ever-present need for cabinet consent—for sterilization; in the U.S. control over immigration policy was divided between the Department of Labor, the State Department, and, of course, a fractured legislature with weak parties. The factor distinguishing the two cases was rather the degree of individual enthusiasm displayed by actors involved in determining and implementing policy, irrespective of whether they had sole or shared responsibility. The point, however intuitively plausible, needs to be emphasized, as ideational accounts have been notable for their lack of attention to individual actors and their motivation, concentrating instead on institutional structures and the experience of past policy. In the U.S. Congressman Johnson was an enthusiastic supporter of eugenic ideas and eugenicist immigration policies, and he devoted his chairmanship of the House Committee on Immigration to furthering both. Likewise, the Department of Labor shared a passion for eugenicist immigration policies, seeing in them a means to reducing costs. It found Laughlin's research central to this aim, making it the centerpiece of a memorandum about the enforcement of immigration laws. Billing Laughlin as "one of the world's best known scientists," the department reported the results of his survey of public institutions for the physically and mentally handicapped. It emphasized "this expert's" finding "that while the foreign born constitute 14.70 per cent of the nation's population, they furnish 20.63 per cent of the population of these institutions, and that 44.09 per cent of the inmates of these institutions are either of

[75] Mark Blyth, "'Any More Bright Ideas?' The Ideational Turn in Comparative Political Economy," *Comparative Politics* 29, no. 1 (1996), 237.

[76] As predicted by Peter A. Hall, "Conclusion," in Hall (fn. 5), 374.

[77] Walsh, "When Do Ideas Matter? Explaining the Successes and Failures of Thatcherite Ideas," *Comparative Political Studies* 33 (May 2000), 487.

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foreign birth or born of parents of foreign birth."[78] The department joined Johnson as a strong partisan and carrier of eugenic ideas. By contrast, British politicians—with an eye to pockets of public opposition—were sympathetic toward but less than fully passionate about those ideas. Neither the minister of health nor anyone else within the government was willing to risk aligning himself with a controversial policy. The reluctance of the former obtained despite significant support for sterilization within the ministry itself.[79]

Naturally, individual enthusiasm for ideas and the policies flowing from then cannot alone account for a carrier's role in transferring ideas into politics. Enthusiastic individuals may possess so few institutional resources that their enthusiasm is structurally destined to remain without influence. Nonetheless, the cases are in part consistent with the predictions of historical institutionalism in that actors wishing to translate ideas into policy require a sufficiently strong institutional platform from which to make their voice heard—whether a position in the U.K. cabinet, a seat in the U.S. Congress, or the chairmanship of a powerful committee. Once signed on, however, carriers perform two essential functions.[80] The first is proselytizing in favor of new ideas, providing them an audience, and, when successful, bringing them into prominence. The second is to channel ideas that are prominent (in the sense of worked out), backed by expert opinion, and policy relevant into the policy process.

Epiphenomenality and Ideas

One of the standard critiques of ideational analysis is that the variables offered are in fact not independent but rather are ephiphenomenal to other, interest-based factors that are the ones that actually matter causally. By suggesting that ideas influence politics when they further

[78] Department of Labor, Memorandum, "In the matter of cooperation between officers of States and Municipalities with officers of the United States in connection with the enforcement of the Immigration Laws," 14 pp., October 1923, 2. Papers of Calvin Coolidge, file 133 (reel 78), Manuscripts Division, Library of Congress.

[79] At the time of the Brock Committee's appointment, servants at the Ministry of Health expressed the hope that the Brock inquiry, by its specialist nature, would be buffered from the fears of public opinion that a royal commission would face; minute, Ministry of Health, PRO, MH58/104A, March 21,1932.

[80] For some of the existing literature on ideational carriers, see Thomas Risse-Kappen, "Public Opinion, Domestic Structure, and Foreign Policy in Liberal Democracies," *World Politics* 43 (July 1991). See also Berman (fn. 1), introduction. From the constructivist literature (examining the role of "norm entrepreneurs" in constructing the limits of acceptable and unacceptable behavior), see M. Finnemore and K. Sikkink, "International Norm Dynamics and Political Change," *International Organization* 52, no. 4 (1998), 896–99; and L. Lessig, "The Regulation of Social Meaning," *University of Chicago Law Review* 62 (1998), 968–73. On constructivism as an ideational approach, see Jeffrey T. Checkel, "The Constructivist Turn in International Relations Theory," *World Politics* 50 (January 1998).

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policymakers' (self-defined) interests, we might appear to be providing fodder for this argument. One way to test this assumption is to consider the mechanisms through which ideas serve actors' interests. Three candidates present themselves. First, ideas—eugenics or any other coherent set—may simply provide cover for what politicians would want to do anyway. A politician may wish to cut taxes because voters like lower taxes and then happily find that economists have elaborated a theory about how tax cuts also further economic growth. Second, ideas may enhance a politician's profile and reputation. Otherwise obscure politicians can use ideas as a platform for launching themselves into the public eye. Third, ideas may serve to build coalitions; if they appear plausible and are backed by respected public opinion, more policymakers may be willing to support them and more members of the public may find themselves attracted to them. But this can be useful only to actors who see their interests served by the ideas.

Distinguishing these three levels serves analytic clarity, but it also serves to refute the epiphenomenality argument. Thus, ideas in all three cases are not epiphenomenal if they serve to strengthen the position of the carrier arguing in favor of the policies backed by the ideas or if they lend further support to the ideas themselves. Ideational frameworks nonderivatively influence policy if they *independently* encourage support for a policy. Ideas are out there and have an impact on politics only when seized upon by political actors and through this process find an entry point into politics. Further, once they make it past this entry point, their strength is channeled and magnified. This idea is especially clear in the case of monetarism. As a coherent critique of Keynesianism, it had grown up alongside the latter doctrine itself, and thinkers such as Hayek and Friedman provided ideological critiques and policy alternatives in the heyday of the 1960s Keynesian consensus. Yet these were virtually unknown among the general public (which generally accepted the then common line that recessions could be avoided and that there was a basic trade-off between inflation and employment) and found no sympathy among politicians. When Margaret Thatcher saw in them an explanation for the U.K.'s economic malaise and a way out of it (through higher interest rates, lower taxes, less spending, and so on), they found their point of entry into politics. Monetarist ideas were translated into policy only when she believed that they would serve her own rational interests and those of the Conservatives.[81] At the same

[81] One could think of other examples. The idea of "Europe" has been used (and abused) many times by politicians who embedded their preferred policies in it. Crudely, German and (especially) French politicians have argued that common agricultural policy (which ensures above-market prices for farm

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time, the transferal process increased support for the ideas and legitimized public support for them. Today there is a near consensus that the key to perpetuating the Clinton boom is through monetarist methods: avoiding demand-led inflation and restricting the money supply through higher interest rates.

Timing

Finally, there is the issue of timing. As Paul Pierson recently argued, "*When* things happen matters for *how* they happen."[82] The success of proeugenicist American reforms was not unrelated to the fact that passage of the quota-based immigration policy preceded by almost a decade the compulsory sterilization policy adopted by Nazi Germany on January 1, 1934. British eugenicists, by contrast, secured the appointment of an exploratory committee only a few years before the Nazi law, which quickly became interlocked with pernicious medical practices, including compulsory sterilization and euthanasia. Although British eugenicists had originally expressed enthusiasm for the Nazi law, they were shocked by its excesses and, then, to their frustration, found their own proposals discredited by them. It is important to emphasize that the results were not overdetermined by timing;[83] it was not the whole story, for two reasons. First, support for sterilization in the U.K. had existed in the 1920s, well before the Nazis came to power, and a parliamentary campaign in its favor failed because it ran up against a suspicious public and a hostile alliance of labor and the Catholic church. Second, the adoption of the Nazi law itself did not immediately kill the eugenics campaign; indeed, before its true nature was revealed, British eugenicists referred to the Nazi law favorably, as a reflection of what policy could achieve.

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products, resulting in oversupply and the exclusion of imports from developing countries), is essential to the construction of Europe; British politicians, governing a country where agriculture is a small concern, have not seen it that way. Less crudely, international relations theorists have argued that politicians invoked the idea of Europe in the late 1980s to overcome "Eurosclerosis" when European integration stalled. In doing so, they overcame the problem of multiple equilibria; that is, if there are many ways in which integration can go forward, and each is Pareto optimal, then how do states agree among them? Ideas—in this case the idea of mutual recognition of goods and services as the foundation of further European integration—overcome the problem by selecting one as "the best." See Geoffrey Garrett and Barry R. Weingast, "Ideas, Interests and Institutions: Constructing the European Communities' Internal Market," in Judith Goldstein and Robert Keohane, eds., *Ideas and Foreign Policy: Beliefs, Institutions and Political Change* (Ithaca, N.Y.: Cornell University Press, 1993). See Blyth (fn. 75), 241–44.

[82] Pierson, "Not Just What, but *When:* Issues of Timing and Sequence in Comparative Politics" (Paper presented at the annual meetings of the American Political Science Association, Boston, September 1998).

[83] We thank Kathleen Thelen for drawing our attention to this issue.

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From a theoretical angle, timing is an intervening variable contributing fundamentally to the environmental conditions[84] that may encourage or discourage particular policy proposals. The constituents of timing are (at least) twofold. First, political crises, occasioned for instance by the spectacular failure of previous policies,[85] radically undermine the ideational framework(s) inspiring the policies and also occasion a search for new ones.[86] Second, there is a process of cognitive association. We understand the world through processes of analogue and association, and contrasting analogues and associations provide radically different interpretations of the same social processes. When Nasser nationalized the Suez Canal in 1958, the British, French, and Israeli governments invoked the appeasement analogy to make sense of his actions and to determine the appropriate response to them; as appeasement is always a sin in the post-Hitler world, the response was armed conflict. For the Arab world and above all for Palestinians, however, Nasser was associated with valorous freedom fighters. When the Gulf War broke out, the West and the Palestinians invoked similarly contrasting analogies. Timing contributes to this associational process in that it makes certain associations or analogies more likely than others.

All aspects evinced in the immigration/sterilization case reflect associations between and across policy areas. Policy ideas and the proposals flowing from them become associated with the success or failure of related proposals and are viewed with approbation or opprobrium, respectively. Taking an example from economic policy, supply-side economists argue that tax cuts are economically positive along non-zero-sum lines because they contribute to greater overall wealth and thus to higher government revenues. While the relationship between tax cuts and economic growth is disputed, recent economic history makes clear that the relationship is contingent. When tax cuts coincided with economic recession—such as in the U.S. from 1981 to 1983—timing undermined supply-side ideas; when they coincided with economic expansion—such as in Canada from 1994 to the present—it reinforced support for them. When state planning and government intervention were associated with global economic expansion—such as in France from the 1950s to the 1970s—the ideas behind it garnered

[84] On environmental conditioners, see Andrew P. Cortell and Susan Peterson, "Altered States: Explaining Domestic Institutional Change," *British Journal of Political Science* 29, no. 1 (1999), esp. 184–87.

[85] There is an established literature on the importance of policy failure. See Peter A. Hall (fn. 4), 275–96; Heclo (fn. 9); Walsh (fn. 77); McNamara (fn. 2).

[86] Adler and Haas (fn. 7), 380.

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large support in France and abroad; when they were associated with economic recession—such as in France in the early Mitterrand years—they were (almost entirely) discredited. Finally, when eugenic ideas and policies were associated with fiscal prudence and national greatness, they received cross-party endorsements; when they were associated with undemocratic state brutality, their credibility vanished.[87]

V. Summary and Implications

This essay has offered an account of why, despite the existence of similar intellectual traditions in the U.S. and the U.K., eugenic ideas were implemented in the former but not in the latter. It has argued that, subject to a broad temporal environmental constraint, eugenicist ideas succeeded in the U.S. for two reasons: because there was a greater degree of fit between the policy implications of these ideas and the strategic interests and political actors and because there were political actors in influential (but not unchallenged) policy positions who served as their enthusiastic spokesmen. Stated more generally, the cases suggest that ideas are more likely to be translated into policy under the following circumstances: when there is a synergy between ideas and interests (that is, when actors believe that taking up these ideas will serve their interests), when these "carriers" possess the requisite enthusiasm and institutional position, and when timing contributes to a broad constellation of preferences that reinforce, rather than detract from, these ideas.

Relating these considerations to the existing scholarly literature, these findings are consistent with a strain of thought that views ideas as channels for interests.[88] The conclusion differs, however, in that it views the result of a convergence between ideas and interests as yielding more, not less, ideational causal impact. That is, when policy advocates embed their arguments in persuasive ideational frameworks, they both ensure the broader dissemination of the ideas and strengthen their argument with reference to them. Through a feedback process, the ideas are

[87] The point relates to recent work on struggles over issue definition; politics is about defining issues in the way that serves an actor's ends. Taking the gun control example, if the NRA succeeds in defining gun control as a matter of protecting the American constitution, it is highly likely to check gun control efforts; if its opponents define it as an issue of saving children, the opposite will obtain. See Frank R. Baumgartner, *Conflict and Rhetoric in French Policymaking* (Pittsburgh, Pa.: University of Pittsburgh Press, 1989). The eugenic cases highlight how this process of issue definition will be buffeted by exogenous developments; those who wished to define eugenics as an issue of the rights of the individual against oppressive state power saw their argument carried by developments in Nazi Germany.

[88] Gourevitch (fn. 74); Stephen Krasner, *Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy* (Princeton: Princeton University Press, 1978); David Robertson, "Political Conflict and Lesson-Drawing," *Journal of Public Policy* 11 (1991).

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heard more broadly and gain greater support by association with the advocate, while the advocate sees her case strengthened through association with the ideas.[89]

Eugenics responded to failure in the broad sense that it involved seeking daring new solutions to age-old problems, but it was not as such a response to the failure of a previous paradigm governing immigration and population policy. When successful, eugenic policies resulted from a temporal partnership between rational interest and coherent ideational framework—something less that *Weltanschauung*, something more than a policy prescription.

Societal interests, given central place in recent work by Walsh,[90] are naturally relevant to this account, but they are subsumed under the strategic interest variable: when societal pressure runs in favor of particular ideational frameworks and the policy prescribed by them, then actors have, all things being equal, an interest in pursuing them; when it runs against, they do not. Likewise, for the sake of parsimony, institutional position and political enthusiasm can be subsumed under strategic interest: when there is a strong political interest in translating ideas into policy, political actors will be likely to support them, and to support them strongly.

[89] Naturally, the whole process can go in reverse: ideas viewed as disreputable can discredit the actors proposing them, while ideas that might otherwise have support become discredited when associated with disreputable characters. A good example of the former would be socialist ideas in the postwar U.S.: discredited by association with the Soviet Union, they brought down any brave soul who publicly advocated them. An example of latter would be appeasement: it has been wholly delegitimized by Neville Chamberlain's naïve and clumsy policy toward Adolf Hitler.

[90] Walsh (fn. 77).

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Review Articles

INEQUALITY, GROWTH, AND DEMOCRACY

By DIMITRI LANDA and ETHAN B. KAPSTEIN*

Philippe Aghion and Jeffrey G. Williamson. *Growth, Inequality and Globalization.* New York: Cambridge University Press, 1998, 207 pp.

Robert Barro. *Determinants of Economic Growth.* Cambridge: MIT Press, 1997, 145 pp.

Inter-American Development Bank. *Facing Up to Inequality in Latin America.* Washington, D.C.: Distributed by the Johns Hopkins University Press for the Inter-American Development Bank, 1998, 204 pp.

Dani Rodrik. *The New Global Economy and Developing Countries: Making Openness Work.* Washington, D.C.: Overseas Development Council, 1999, 168 pp.

Vito Tanzi and Ke-young Chu, eds. *Income Distribution and High Quality Growth.* Cambridge: MIT Press, 1998, 417 pp.

I. INTRODUCTION

THE elaboration of endogenous growth theory over the last decade has resulted in an explosion of innovative research on the political economy of economic development and reform. Although the initial articulation of this theory focused on technological innovation and its sources as the primary determinants of economic growth, its most basic theoretical insight—that growth can be both explained and controlled—has spawned an ambitious research program aimed at understanding the relationship between growth and such distinctly political factors as the policy of economic openness, income and wealth inequality, and redistributive policy, among others. The goal of this review is to assess the implications of this research for one of the key theoretical challenges confronting modern political science: articulating the causal relationship between economic development and democracy.

* We thank Catherine Hafer, an anonymous reviewer, and seminar participants at Dartmouth, Harvard, Minnesota, Wisconsin, and the World Bank for comments and suggestions on material related to the arguments presented in this article and the National Endowment for Democracy and the Stassen Center for International Peace, University of Minnesota, for financial support. Ethan Kapstein also thanks INSEAD and the French Institute for International Relations for their support of the project.

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Contemporary analysis of the political determinants of growth has been advanced along two paths: in cross-section time-series studies of the determinants of economic growth, sometimes referred to as "Barro regressions," after the pioneering work by Robert Barro that forms the core of his *Determinants of Economic Growth*, and in political economy models that explore the causal linkages between long-run economic performance and features of government policy and institutions.[1] Taken as a whole, the results of these studies, buttressed by empirical evidence of the political path dependence of the economic well-being of transition economies,[2] make clear that any convincing explanation of long-run economic performance requires an integrated account of the role of domestic political institutions.

But the political lesson of economic development is deeper than just that "politics matters." If it matters at all, it is because citizens respond to economic conditions politically as well as economically; and given the dependence of political outcomes on underlying political institutions, there is no prima facie reason why their response must necessarily take place within the confines of the institutional status quo.[3] Whatever else it is, the political lesson of economic development, then, is one of the consequential importance of the comprehensive exercise of the *political agency* of citizens—of their interests and capabilities as purposeful political actors.

To account for the political consequences of economic development and change, we must inquire not only into the economic effects of existing political institutions but also into whether these institutions are ultimately sustainable under given economic conditions and if not, into what other political mechanisms or institutions should be expected to arise or persist in their stead. The works we discuss in this article and

[1] These features include the security of property rights (e.g., Jacob Svensson, "Investment Property Rights and Political Instability: Theory and Evidence," *European Economic Review* 42 [July 1998]; Catherine Hafer, "The Political Economy of Emerging Property Rights" [Manuscript, Department of Political Science, University of Rochester, May 2000]), income and wealth redistribution (Torsten Persson and Guido Tabellini, "Is Inequality Harmful for Growth?" *American Economic Review* 84 [June 1994]; Alberto Alesina and Dani Rodrik, "Redistributive Politics and Economic Growth," *Quarterly Journal of Economics* 109 [May 1994]; Roberto Perotti, "Political Equilibrium, Income Distribution and Growth," *Review of Economic Studies* 60 [October 1993]; Roland Benabou, "Inequality and Growth," in Ben Bernanke and Julio Rotemberg, eds., *NBER Macroeconomics Annual 1996* [Cambridge: MIT Press, 1996]), and the size of government (e.g., Dani Rodrik, "Why Do More Open Economies Have Bigger Governments," *Journal of Political Economy* 106 [October 1998]).

[2] See, for example, Ethan Kapstein and Branko Milanovic, "Dividing the Spoils: Pensions, Privatization, and Reform in Russia's Transition," World Bank Research Paper no. 292 (March 2000).

[3] For an account of institutional choice that focuses on the relative appeal of particular distributive consequences of institutions, see Jack Knight, *Institutions and Social Conflict* (Cambridge: Cambridge University Press, 1992).

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the larger literature to which they belong contribute to such an inquiry both directly—by identifying the relevant causal relationships and offering empirical evidence—and indirectly—by providing a platform for raising questions heretofore left unaddressed.

Unlike the neoclassical political models of Seymour Martin Lipset and Samuel Huntington—models that were optimistic in their underlying analysis of the relationship between economic growth and political democratization—these works also direct us to a less determinate and, arguably, more politically nuanced stance on reform policies promoting economic development. The basic growth facts of the last decade underscore the existence of the underlying complexity. For example, as the IADB report documents (chap. 1), the fast pace of recent economic growth in Latin America has been accompanied by substantial increases in economic inequality. Philippe Aghion and Jeffrey Williamson, Dani Rodrik, and contributors to the Tanzi and Chu volume posit that economic openness—one of the most widely recognized factors contributing to economic growth and development—has led to increases in inequality in Western industrialized democracies, Latin America, and, possibly, Africa and to rising economic volatility in East Asia. The political consequences of growth with inequality—a classic theme in political economy—are hardly straightforward and are likely to depend on the capacity of domestic institutions to carry out redistributive measures. That capacity, generally assumed to exist by the economics literature, is often lacking in practice, especially in the nascent democracies of the developing world, and it is at the heart of much of the political-economic conflict in these countries. Examining the feasibility of redistributive policy is one of the central contributions of this review article.

Is economic openness responsible for the increase in economic inequality in the last two decades? What are the causal connections between inequality and economic growth, and what are their consequences for the stability and consolidation of democratic regimes? Why are some democracies more capable than others of adapting to the challenges posed by economic change? What sorts of policy and institutional adaptations should democratic governments pursue to minimize the negative economic and political consequences of economic shocks that affect the distribution of income and wealth?

We discuss the answers to these questions offered by the works under review in the next three sections. We begin in Section II with a reappraisal of the relationship between democracy and growth and economic development that provides a distinct political motivation for the

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analysis of the causes and consequences of inequality and growth. In Section III we turn to the consideration of the distributive effects of free trade and economic openness, which have been among the key motivations behind the extensive recent work on the effects of income and wealth distribution on growth, including four of the five works under review. Section IV examines the main arguments in that body of work, focusing on the extent to which they cohere with the consequences of the exercise of political agency for the structure and content of political and economic institutions. This examination suggests the importance of supplementing these arguments with a systematic inquiry into the political feasibility of redistributive policies. Section V discusses the key components of such an inquiry and sketches some promising approaches to it. Finally, Section VI offers a brief redux.

II. Growth and Democracy

Perhaps one of the most robust and enduring empirical findings of post–World War II social science is the existence of a strong positive relationship between economic development and democratization.[4] Originating in Lipset's observation of an "income threshold" for democracy, this finding receives unequivocal support in chapter 2 of Barro's book. Drawing on the normalized Freedom House measure of democracy as political rights,[5] Barro shows that GDP per capita and life expectancy are highly significant predictors of democracy and civil liberties, "firmly establish[ing] the general link between democracy and the standard of living" (p. 67).[6]

Although both this finding and Barro's empirical analysis are quite convincing, the controversial aspects of the relationship between democracy and economic development become apparent as soon as one probes the nature of the underlying causal mechanism. Barro hardly overstates the problem when he asserts that "theoretical models of the effects of prosperity on democracy are not well developed" (p. 52). Although, in light of the amount of research devoted to the investigation

[4] For a review, see Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press, 1991), 59–72.

[5] See Raymond D. Gastil, ed., *Freedom in the World* (Westport, Conn.: Greenwood Press, 1983 and other years). For 1960–65, Gastil's variable is supplemented with the data from Kenneth A. Bollen, "Political Democracy: Conceptual and Measurement Traps," *Studies in Comparative International Development* 25 (Spring 1990).

[6] This finding is, of course, one of the best established empirical generalizations in political science and sociology; for a recent reformulation, see Adam Przeworski and Fernando Limongi, "Modernization: Theories and Facts," *World Politics* 49 (January 1997).

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of this relationship, the weakness of its theoretical foundations may be surprising, it is emblematic of the more global deficit in the analysis of the causes and mechanisms of institutional change—a deficit that political scientists have lamented for the last two decades.[7]

The importance of articulating a convincing causal explanation of the effects of economic development on democracy, however, has a distinctly political rationale, as well as a scholarly one. Advancing the cause of democratization often requires not only immediate political pressure from domestic (and external) agents but also knowledge of the mechanisms by which democracy can be strengthened in less direct but, possibly, no less effective ways. The status of economic growth and development as a potential object of universal policy consensus recommends the promotion of these goals as a particularly promising approach to democratization. However, the weakness of the causal analysis of the relationship between development and democracy detracts from the possibility of targeting its critical "moving parts" and hence from accelerating the process of democratization.

Although Barro does little to develop a causal theoretical analysis of the relationship between democracy and economic prosperity or to offer interpretations of his findings that could guide a theoretical inquiry, his findings are nonetheless suggestive and provocative. The explanation of the relationship between economic development and democracy at the heart of his analysis is a version of modernization theory, the key thesis of which links these concepts via "sequences of industrialization, urbanization, education, communication, mobilization, and political incorporation, among innumerable others: a progressive accumulation of social changes that ready a society to proceed to its culmination, democratization."[8] However, Barro's evidence also bears closely on another class of mechanisms (reliant on the political effects of economic inequality), offering important implications we consider below.

Tracing its conceptual lineage to what we now refer to as the Lipset hypothesis, Barro's version of the modernization thesis stresses the role of education and, to a lesser extent, urbanization. According to Lipset's Aristotelian argument, democracy requires intelligent participation in public affairs and what Lipset calls a "receptivity to democratic political tolerance norms,"[9] which, in turn, call for a society with sufficient eco-

[7] See, for example, William H. Riker, "Implications from the Disequilibrium of Majority Rule for the Study of Institutions," *American Political Science Review* 74 (June 1980).

[8] Przeworski and Limongi (fn. 6), 158.

[9] Semour Martin Lipset, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy," *American Political Science Review* 53 (March 1959), 84.

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nomic resources to educate the masses. Widespread education thus emerges as a necessary condition for democracy, with wealth and (in Lipset's version of the argument) an enlarged middle class the means for creating expanded educational opportunities.

In the article version of chapter 2 of his book Barro suggests another interpretation of the emergence of democratic values, one that emphasizes the role of wealth in the formation of individual needs:

> With respect to the effects of economic development on democracy, the analysis shows that improvements in the standard of living—measured by a country's real per capita GDP, infant mortality rate, and male and female primary school attainment—substantially raise the probability that political institutions will become more democratic over time. *Hence, political freedom emerges as a sort of luxury good.*[10]

Implicit in this position, which has strong parallels in the economic analyses of the emergence of environmental standards and labor rights, is the view of polities as consisting of consumers with hierarchies of needs. With rising incomes, consumers cum citizens become more willing—and more able—to supplement the necessities of life with such luxury goods as clean air, better working conditions, and democratic governance.[11]

Unlike the relatively plausible first (Aristotelian) interpretation, the assertion of the consumer hierarchy of preferences is causally dubious. As Amartya Sen's classic argument,[12] echoed by Rodrik in chapter 4 of his book under review, maintains, because of their effects on the transparency of government and the elimination of corruption, effective democracy and political freedom may be significant contributors to the alleviation of economic crises and to the increase in economic welfare and may thus be preferred by citizens as a *means* of achieving the satisfaction of their critical material needs.[13] Unlike the education-based theory of the origin of democratic values, which has natural referents in the measures of educational attainment, the view of political freedom or democracy as a luxury good is also considerably more difficult to test

[10] Barro, "Democracy and Growth," *Journal of Economic Growth* (March 1996), 23–24, emphasis added.

[11] A similar argument is put forth in Richard Posner, "Equality, Wealth and Political Stability," *Journal of Law, Economics and Organization* 13 (Spring 1997).

[12] See, for example, Amartya Sen, "Development: Which Way Now?" *Economic Journal* 93 (December 1983).

[13] Note that this claim and Sen's argument are distinct from the assertion that democracy always promotes economic growth. We leave the latter assertion without consideration in this review. For an influential review of the empirical evidence, see Adam Przeworski and Fernando Limongi, "Political Regimes and Economic Growth," *Journal of Economic Perspectives* 7 (Summer 1993).

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directly, and, despite invoking it, Barro does not offer any independent empirical assessment of it.

Meanwhile, the test of the education-based theory generates mixed, but generally disappointing, results. While primary education turns out to be a significant predictor of democratization (p. 70), secondary and higher schooling are not. Given that the latter are much more significant predictors of growth (pp. 19–21), these findings indicate that education provides at best a very partial explanation of the relationship between economic development and democracy.

Even less successful in explaining this relationship is another proxy of the modernization argument—the rate of urbanization. Although the simple correlation between democracy and urbanization is "strongly positive" (p. 63), once the standard of living is held constant, urbanization fails the significance test in the democracy regression. In sum, Barro's results offer little support for the existence of intervening "modernization" variables in the causal chains from economic development to democracy; if these variables matter for democracy, their effect, with the exception of primary schooling, appears to be fully captured by the measures of the standard of living.

A similar conclusion is suggested by another result, which concerns a class of causal mechanisms that explains the relationship between economic development and democracy in terms of the impact of economic development on economic inequality. Among these mechanisms are Tocqueville's argument that expanding civic organizations serves as a check on dictatorship and as a way of inculcating values and skills necessary for democratic governance (extended by Lipset and Robert Putnam, respectively),[14] as well as the argument by Rueschemeyer et al.[15] that capitalist development changes the distribution of power between the landlord and the urban working classes.[16] Adding Gini coefficients measuring inequality and years of schooling to his regression model for democracy, Barro finds neither to be statistically significant (p. 69).[17] However, the

[14] Lipset (fn. 9); and Robert D. Putnam with Robert Leonardi and Raffaella Y. Nanetti, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton: Princeton University Press, 1993). See also Kenneth A. Bollen, "Political Democracy and the Timing of Development," *American Sociological Review* 44 (August 1979).

[15] See Dietrich Rueschemeyer, Evelyne H. Stephens, and John D. Stephens, *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992).

[16] Barro mentions both of these arguments (pp. 51–52) in passing without further analysis.

[17] These findings are at odds with the results in Edward Muller, "Economic Determinants of Democracy," in Manus I. Midlarsky, ed., *Inequality, Democracy and Economic Development* (Cambridge: Cambridge University Press, 1997). Barro's results are more convincing, however, because of his more sophisticated estimation technique and the use of the second inequality indicator, which bolsters the plausibility of this result in the face of objections concerning the quality of data and the crudeness of the monetary measures of inequality. His results are confirmed by Posner (fn. 11), who uses a country sample that is larger than Muller's.

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possibility that inequality is simply irrelevant for democracy, though nominally consistent with this finding, flies in the face of the conjunction of highly significant relationships between economic development and democracy and between inequality and growth that are among the most robust empirical findings in the recent political economy literature.[18] The same evidence, then, lends plausibility to the remaining possibility—that the effects of inequality on democracy are fully captured by other variables in the democracy regression, the most causally reasonable of which is GDP.

What are the implications of this conclusion for the relationship between economic development and democracy? Perhaps most importantly, the direction of causality from higher economic development to lower inequality to stronger democracy is empirically suspect. The fact that the introduction of the inequality measure does not affect the magnitude and significance of the GDP coefficient (p. 69), combined with statistical insignificance of that measure, suggests that democracy is affected by growth but not via inequality. This conclusion is supported by the emerging empirical consensus that fails to corroborate the evidence reported in the 1970s and 1980s that growth lowers inequality.[19] As Michael Bruno, Martin Ravallion, and Lyn Squire show in their contribution to Tanzi and Chu, once country-level effects are taken into account, "there does not appear any systematic tendency for [income] distribution to improve or worsen with growth" (p. 127).[20] Thus, like the effect of postprimary education and urbanization, the effect of inequality on democracy must go through growth (rather than vice versa), *or* these effects must be fully confounded with the effect these variables have on growth; that is, whenever they affect democracy, they also affect growth. This last possibility, in particular, may hold one of the keys to the elusive explanation of the relationship between economic development and democracy.[21]

[18] The benchmark studies in the literature on the relationship between inequality and growth include Alesina and Rodrik (fn. 1) and Persson and Tabellini (fn. 1). Roberto Perotti, "Growth, Income Distribution, and Democracy: What the Data Say," *Journal of Economic Growth* 1 (June 1996) and Benabou (fn. 1) present comprehensive discussions of the available cross-country regressions. More recent work indicates that the relationship between inequality and growth tends to be more negative for the poor countries than for the rich ones: see, e.g., Robert Barro, "Inequality and Growth in a Panel of Countries," *Journal of Economic Growth* 5 (March 2000).

[19] E.g., Felix Paukert, "Income Distribution at Different Levels of Development: A Survey of Evidence," *International Labor Review* 108 (1973); Montek S. Ahluwalia, "Income Distribution and Development: Some Stylized Facts," *American Economic Review Papers and Proceedings* 66 (1976); Edward N. Muller, "Democracy, Economic Development, and Income Inequality," *American Sociological Review* 53 (February 1988).

[20] These results are obtained using an improved data set on inequality, introduced in Klaus Deininger and Lyn Squire, "A New Data Set for Measuring Income Inequality" *World Bank Economic Review* 10 (September 1996).

[21] We return to this possibility in the penultimate section of the review.

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Suggesting that we look to the growth effects of inequality and distribution-affecting policies for critical mediation, these implications motivate the progression of the argument considered in this review. They also suggest a methodological guideline: that explanations of the relationship between economic development and democracy that rely on the causal role of the distributive mechanism must, as a theoretical test of their plausibility, be able to give a systematic account of the concomitant effects of this mechanism on growth.

III. Trade and Inequality

If the empirical evidence reviewed above suggests the explanatory importance of the effects of inequality on growth in developing a systematic account of the determinants of democracy, the arguments we consider next help explain why the examination of these effects has, as will be seen in Section IV, revolved largely around the impact of redistributive policy. Both classes of policy instruments affecting inequality—policies aimed, respectively, at the elimination of its causes and at the alleviation of its consequences—are likely to have an impact that extends well beyond it. Just as direct redistribution may reduce the incentives to engage in productive activities as it alleviates poverty, the causes of inequality may contribute to social welfare even as they detract from it. The prima facie desirability of particular policies that attempt to control inequality must depend, then, on the outcome of an inquiry into the nature of such causes.

That the political economy of trade and globalization has played a prominent role in such an inquiry is not surprising. International trade theory predicts the domestic pattern of winners and losers that will follow trade liberalization. This allows one to examine the political economy of globalization from a distributive standpoint[22] and raises the possibility that trade is at least partly responsible for the surge in inequality observed in the 1980s and 1990s. Moreover, in comparison with such factors as technical or organizational change, economic opening comes close to being the result of explicit policy decisions by the government, making it potentially reversible in response to reappraisals of its consequences and political demands.

But trade also makes what is, perhaps, the least ambiguously positive contribution to aggregate welfare (and, hence, if it is one of the causes

[22] For a useful review of this literature, see Raymond Riezman and John Wilson, "Politics and Trade Policy," in Jeffrey Banks and Eric Hanushek, eds., *Modern Political Economy* (New York: Cambridge University Press, 1995).

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of inequality, it is also one of the most complex challenges to economic policy-making). The long-run economic consequences of opening a country to trade and investment are, at least in theory, straightforward and uncontroversial: as a positive theory, international economics demonstrates that freeing trade and capital flows leads to an efficient allocation of a nation's (and ultimately the world's) scarce resources, resulting in more output and consumption than would be the case under protectionism. Openness *should* produce dynamic growth gains. For this reason, both policymakers and academic economists have considered trade liberalization a sine qua non of economic reform.[23] But the unabashed utilitarianism of classical trade theory provides little practical guidance with respect to how this wealth ought to be distributed both within and between countries,[24] and the once popular view that "if measures making for efficiency are to have a fair chance, it is extremely desirable that they should be freed from distributive complications as much as possible"[25] has proven to be a poor a guide to positive analysis and policy advice. Not only do the "distributive complications" actively impinge on and mold economic outcomes with the interests, logic, and timing distinct from those of economic efficiency, but, as some of the arguments surveyed in Section IV show, efficiency may sometimes be best served precisely by adopting a policy of economic redistribution.

At the heart of the analysis of the distributive effects of measures promoting growth is the "Kuznets hypothesis," which holds that income inequality rises in the early stages of industrialization, as the productivity gap between the old and new sectors of the economy widens. Over time, its proponents argue, this increase in income inequality is reversed, as the returns to the factors of production naturally tend to-

[23] See John Williamson, "In Search of a Manual for Technopols," in John Williamson, ed., *The Political Economy of Policy Reform* (Washington, D.C.: Institute for International Economics, 1994); and Jeffrey Sachs and Andrew Warner, "Economic Reform and the Process of Global Integration," in William Brainard and George Perry, eds., *Brookings Papers on Economic Activity* 1 (1995). Sachs and Warner argue empirically that both because of its direct stimulation of the economy and because of its indirect inducement of a responsible economic policy by governments, openness to trade comes close to being sufficient to guarantee above-average growth in poorer countries. Dani Rodrik, whose other work is often seen as defining of the minority position of the vocal trade skeptics (e.g., Francisco Rodriguez and Dani Rodrik, "Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence" [Manuscript, Harvard University, May 2000]; and Dani Rodrik, *Has Globalization Gone Too Far?* [Washington, D.C.: Institute for International Economics, 1997]) takes a more positive stance in *The New Global Economy*, one suggestive of caution (in its emphasis on the critical importance of institutional mechanisms for the countries' abilities to benefit from trade), rather than skepticism.

[24] For a classic statement of the utilitarian position with respect to trade theory, see James E. Meade, *The Theory of International Economic Policy* (London: Oxford University Press, 1951), 5.

[25] Nobel-prize winning economist John Hicks quoted in Daniel M. Hausman and Michael S. McPherson, *Economic Analysis and Moral Philosophy* (Cambridge: Cambridge University Press, 1996), 95–96.

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ward convergence. The relationship between income inequality and growth could thus be represented by an inverted U-shaped curve. As with many other issues in the "old political economy" literature, this analysis allows a marginal role at best for policymakers in influencing income distribution.

As we already noted, however, a major empirical observation behind much of the new political economy literature is that of rising and persistent income inequality both in the old industrial states that constitute the OECD and in developing countries around the world. Reinforcing Bruno, Ravallion, and Squire's direct regression results on the distributive effects of growth, these findings cast considerable doubt upon the general validity of the Kuznets model. In particular, it appears that the relative demand for skilled labor is rising while the demand for unskilled labor continues to fall, increasing the wage gap between these two factors. The causes behind these shifts in demand and in factor returns are at the center of the political economy debates over the role of globalization, technological change, and other forces in shaping labor market outcomes. And although the Kuznets curve is "the central bridge that spans theory and history over these debates, . . . what we need," as Aghion and Williamson point out, "is less effort at establishing the Kuznets Curve as a stylized fact, and more effort at uncovering the sources of inequality change. . . . The big three commonly put forward to explain the recent inequality surge are trade, technology and labor supply" (pp. 1–3).

That trade and economic opening more generally could have distributive effects is, of course, no surprise. There are three major bodies of economic theory that hypothesize a relationship between openness and inequality: the factor price equalization (FPE) theorem arising out of the Hecksher-Ohlin-Samuelson (HOS) framework; skill-enhancing technology (SET) theories, which examine the effects of technological change (including technological change brought about by cross-national technology transfers) on factor returns; and kaleidoscopic comparative advantage theory, which examines the effects of economic interdependence on labor markets. At issue, above all, is the extent to which actual inequality can be attributed to economic openness as opposed to the other "villains" mentioned by Aghion and Williamson and which of the three theories mentioned offers the most causally relevant mechanism for such an attribution. We examine the treatment of this issue in the works under review by considering each of these theories in turn.[26]

[26] For a useful review of the literature, see William Cline, *Trade and Income Distribution* (Washington, D.C.: Institute for International Economics, 1997); for a review essay on the recent work on this

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According to the FPE theorem first developed by Paul Samuelson in the 1940s, two economies that adopt a policy of free trade will find (given certain strong assumptions) that the returns to the factors of production in each country will tend toward equalization at some intermediate point.[27] This work built on an earlier theorem, developed by Samuelson and Wolfgang Stolper, which asserts that if protection were used to raise the domestic price of imported goods, lifting it and thereby decreasing the prices of these goods would increase returns to the foreign factor used intensively in its production and lower returns to the relatively less abundant and more expensive domestic factor (in the case of the Western industrialized countries—unskilled labor). In order to analyze the effects of openness on the behavior of wages in the context of this theory, trade theorists who use HOS models therefore naturally seek their evidence in international price movements. Considering such evidence in the terms of trade data for the United States in the late 1980s, Jagdish Bhagwati argues, in his contribution to Tanzi and Chu, that it shows "a slight rise in the relative prices of imports. . . . In short, the necessary empirical evidence on price behavior during the 1980s for the absolutely critical element in this particular trade explanation is exceptionally weak at best" (pp. 264–65).

But the inference that trade is irrelevant for accounting for the decrease in Western unskilled labor wages in the 1980s and 1990s, even in the context of this trade explanation, may be too quick. As Aghion argues in Aghion and Williamson:

> The above argument relies on the assumption that traded goods are primarily final goods. . . . If, on the other hand, traded goods were mainly *inputs* into further production, the implications would be very different. A lower price for intermediaries would shift the demands for other inputs. . . . When unskilled labor is more substitutable for physical inputs than skilled labor is, cheap physical inputs increase the relative demand for skilled workers. (p. 43)

Recent studies of the shifts in the intraindustry demand for intermediate goods cited by Aghion lend substantial support to this argument.

These findings have potentially significant consequences for the dynamics of human capital stock and consequently for the growth rates of nations. As Aghion reminds us (p. 55), "Endogenous growth theory tells us that educated labor is precisely what generates technological change." The labor supply response to the relative decrease in the de-

topic, see Ethan B. Kapstein, "Winners and Losers in the Global Economy," *International Organization* 54 (Spring 2000).

[27]Cline (fn.), 40–41.

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mand for skilled labor in the unskilled labor-rich, less developed countries and the relative increase in such demand in the skill-abundant wealthy industrialized countries would then have the effect of increasing the growth rate in the latter countries and decreasing it in the former. Thus, instead of promoting convergence, globalization could sharpen the divide between rich and poor countries, while the unchecked negative effects of labor supply decisions on long-term growth in poor countries may dampen the benefits of globalization for their democratic consolidation.

Although it is able to explain the increasing skill differentials in wages in industrialized countries, Aghion's innovative argument fails to explain the second empirical puzzle faced by the FPE models: the occurrence of the same phenomenon in the less developed countries.[28] Just such an explanation is supplied by the "skill-enhancing technology" (SET) analysis, which has been gaining prominence among many contemporary students of the trade-inequality relationship.

Rather than considering the effects of trade on price movements, the SET analysis focuses on how cross-border transfers of SET may affect factor returns. One of the traditionally lauded effects of opening less developed economies to the world market has been the transfer to such countries of new and more efficient production technologies. These technologies, however, are likely to have a "skill bias," disproportionally rewarding those who possess the skills necessary for production with them. The evidence from in-depth studies of nine South American and Southeast Asian countries reported in a pioneering paper by Donald Robbins suggests that technology transfers between North and South are indeed positively correlated with increased wage dispersion among workers in the receiving country and with the decline in the relative wages of the unskilled.[29] As technologies flow to the South, labor markets become increasingly segmented into winners and losers.

These findings suggest a causal picture of income distribution in the South that is distinct from Aghion's. Whereas the increased reliance of the North on the manufacture of intermediate goods in the South encourages the demand for, and hence the supply of, unskilled labor in the South, the SET findings indicate the presence of incentives that, all else being equal, should produce the opposite effect on labor supply: the ac-

[28] In fact, Aghion's explanation predicts precisely opposite effect in these countries—the shrinking skill differentials.

[29] Donald Robbins, *Evidence of Trade and Wages in the Developing World*, OECD Development Center Technical Papers, no. 119 (December 1996). See also Inter-American Development Bank, *Facing Up to Inequality in Latin America* (Washington, D.C.: IADB, 1998), 46.

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quisition of skills and a relative decrease in the supply of unskilled labor. Of course, the two technological changes could be taking place side by side, if not be part of the same process. But then there is a puzzle with respect to the net effects of these changes: the prima facie unexpected combination of rising skill differentials in the South (predicted by SET) and of the evidence (invoked by Aghion) of dramatic decreases, in response to openness, in the (relative to the world average) proportion of population pursuing secondary and tertiary education in countries with low initial stocks of skilled labor.[30]

The key to resolving this puzzle may lie in the *ability* of the unskilled to respond to the changes in their incentives. The development of capital markets and of opportunities for economic mobility more generally is critical in facilitating the response of the supply of labor to the demand-side incentives; where the opportunity to acquire new skills is highly constrained, the willingness to do so may prove inconsequential. As Nancy Birdsall emphasizes in her contribution to Tanzi and Chu, endorsing Robbins's findings, unlike "the rich" who "are educated, have financial and physical assets, and access to capital markets . . . [and] are thus able to exploit the new opportunities that liberalization of trade and investment brings, [t]he poor in Latin America are increasingly concentrated in urban areas in low wage and unskilled jobs . . . . They benefit little, at least in the short run, from the opening of economies" (p. 293).[31] By increasing the skill premium in the receiving economies, SET transfers make the constraints imposed by poor capital markets increasingly binding, preventing the more and more willing from borrowing the funds or saddling them with prohibitive opportunity costs necessary to finance education. What looked before like a puzzling conjunction of empirical findings would, then, suggest that the positive effects of economic openness on income distribution in the South (which are, in Aghion's analysis, a consequence of the dynamics of the demand for intermediate goods) have been swamped by the negative effects on that distribution of the combination of SET transfers to the South and its woefully underdeveloped capital markets.

[30] See Adrian Wood and C. Ridao-Cano, "Skill, Trade and International Inequality," Working Paper 47 (Institute of Development Studies, University of Sussex, 1996).

[31] Barro (fn. 18) adopts this interpretation in presenting his regression results, which show a robust and significant positive relationship between openness and inequality. They contradict those in François Bourguignon and Christian Morrisson, "Income Distribution, Development and Foreign Trade: A Cross-Sectional Analysis," *European Economic Review* 34 (September 1990); using older and lower quality data, Bourguignon and Morrisson find that increase in degree of protection increases income inequality.

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Jagdish Bhagwati's chapter in Tanzi and Chu articulates (although stops short of defending) still a third hypothesis regarding the effect of greater openness on wages. It is based on what Bhagwati calls "kaleidoscopic comparative advantage": the increased volatility of industries' narrowing comparative advantage caused by comprehensive economic integration. This development induces a degree of "footlooseness" on the part of employers, leading to "increased labor turnover [between industries which] could flatten the growth profile of earnings due to less skill accumulation," thereby enlarging the gap between the earnings of the relatively more transferable skilled and less transferable unskilled labor (p. 277). Significantly, increasing capital mobility is sufficiently powerful to induce its own independent effect on the wage distribution, since it makes it more credible for employers to threaten to leave, thus putting further pressure on the wages of unskilled labor.

As Bhagwati notes, although the present evidence in relation to the "kaleidoscopic comparative advantage" argument is tentative, the set of effects posited by this argument "remains politically salient because the linkage seems overwhelmingly intuitive." The outcome of this salience is the very visible public push for what he argues should be seen as a refined form of nontariff trade barriers—policies that increase the cost of production in the poor countries by imposing high-cost labor standards, requirements of intellectual property protection, environmental demands, and so on (p. 281).

Williamson's essay in Aghion and Williamson reinforces the possibility of a distribution-motivated backlash against free trade with a historical argument that emphasizes the role of a little-considered aspect of globalization—mass migration. Williamson shows that in the late-nineteenth-century Atlantic economies, "where immigration increased the receiving country's labor supply greatly, inequality rose sharply; where emigration reduced the sending country's labor supply markedly, inequality declined" (p. 181). As the impact of immigration was felt on domestic wages, not just in the United States but in Argentina, Australia, Brazil, and Canada as well, immigration restrictions became increasingly common culminating in "a late nineteenth-century globalization backlash [that] made a powerful contribution to interwar deglobalization" (p.193). Although the present conditions differ from those of the last century with respect to both the freedom of migration and the extent of international institutionalization of free trade, Williamson argues that "history does supply a warning: there is an endogenous globalization backlash in our past that could reappear in our future" (p. 193). Defusing the tensions that could ignite an antiglobal-

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ization movement, however, might require the sorts of redistributive policy measures—both within and between nations—that may be particularly difficult to implement in a global economy with substantial capital mobility.[32]

The consideration of the theories of the distributive effects of free trade suggests the following conclusions. First, regardless of whether trade is actually responsible for increases in inequality in the industrialized countries in the 1980s and 1990s, the popular public expectations of distributive consequences are sufficient to generate policy pressures that diminish the positive effects of globalization on growth and development in the poor countries. Arguably, they have done so.[33] Given the effects of growth on the strength of democracy discussed in the previous section, this outcome would appear to have distinctly undesirable political consequences, raising the premium on the ability of governments to establish economically and politically effective programs of social insurance that inoculate against the antiglobalization pressures.

Second, although theoretical disagreements persist, the argument that free trade is responsible for widening the gap between rich and poor in less developed countries should not be ignored: independent empirical support for the explanation focusing on the interaction between trade and technological change appears to withstand the challenges of its critics. Another, more localized explanation for the negative effects of globalization on distribution, suggested in the IADB report in relation to Latin America, also survives: as trade-barriers lower, natural resources are among the few domestic commodities that can successfully compete on the international market in the short term, skewing the distribution of income and wealth in the direction of their owners, who in the Latin America constitute a very small proportion of the population (p. 70).

As the discussion in the next section indicates, to the extent that globalization is responsible for increasing inequality, its benefits for economic growth and democratic consolidation may be considerably dampened. But advocating the reversal of globalization is surely throwing the baby out with the bath water. Rather, the most important implication of the arguments attributing the increase in economic inequality to openness is that economic policy has good reasons to be aiming at the consequences of inequality, rather than at its causes.

[32] For an elaboration of this point, see Ethan Kapstein, *Sharing the Wealth: Workers and the World Economy* (New York: W. W. Norton, 1999).

[33] Examples would include the tariff escalation in the North, which inhibits investment in value-added export industries in the South.

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IV. Inequality and Growth

In the chapter that sets the normative stage for the IADB report, the authors write: "The prevailing conclusion in recent empirical studies is that poor income distribution harms economic growth and that therefore, instead of the conflict between equality and development that used to be regarded as a serious constraint on distribution policies, the relationship is mutually reinforcing" (p. 23).[34] Although this statement correctly identifies the present consensus that economic inequality is bad for growth, the academic literature presents a causal account and policy advice that are considerably more nuanced.

To begin with, despite the traditional rhetoric of an "equality-efficiency trade-off," what is really at stake in the inequality debate is the conflict between *redistributive policies* and growth, and not the conflict between growth and equality as such.[35] In particular, the classic arguments focused on two effects of redistributive policies. Such policies were seen to generate incentive problems for net transfer recipients, dampening their productivity and thus their economic contribution to society. At another level, in societies lacking well-developed capital markets, the tax measures associated with redistributive policies were thought to jeopardize savings and hence production that requires high-cost "lumpy" investments in capital goods, further undermining growth. Both of these effects are direct consequences of redistribution, not of economic inequality per se; and thus it is not so much that the alleged conflict between equality and growth would hinder redistribution as that a conflict between redistribution and growth, if it exists, would hinder the promotion of equality. The difference is significant, since what is easily one of the most influential present-day arguments regarding the effects of inequality on growth maintains that *in*equality is bad for growth precisely *because* redistribution is.[36] Moreover, what has taken place in the last decade or so from the standpoint of developing a systematic theory of growth is not so much a reversal of the old view that redistribution hinders growth as the growing recognition that various causal mechanisms linking redistribution and growth can produce contradictory effects. In short, while there appears to be little dis-

[34] Similar statements can be found in Aghion (see, in particular, pp. 7, 11) and Tanzi and Chu (see, for example, the introduction and the chapter by Michel Camdessus).

[35] Indeed, even at the height of its prominence, the view that there is a necessary "conflict between equality and growth" was a mischaracterization of the theorized relationship between redistribution and growth.

[36] See Persson and Tabellini (fn. 1); and Alesina and Rodrik (fn. 1).

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sent from the position that inequality is bad for growth,[37] appreciation of the nature of the relationship between these phenomena requires the consideration of the effects of redistributive policies.

The central critique of this literature, which we develop in the present and following sections, is that, to the detriment of our knowledge and policy advice, the effects of redistribution that have been considered have been almost exclusively the economic ones. A systematic political agency–based analysis of the interactions between redistributive policies aimed at promoting economic equality and the political ramifications of such policies is critical for determining not only the feasibility of such policies but also their comprehensive political and economic effects. It may also be instrumental in bridging the gap between the theoretical analysis of redistribution and the existing empirical evidence.

We begin by considering the causal mechanisms that support the assertion that economic inequality is bad for growth. The works under review suggest two distinct classes of such mechanisms.[38] The first explains the negative effects of inequality on growth in terms of the political responses to inequality in the relevant politicoeconomic contexts. The most prominent mechanisms in this class—embodied in the "endogenous fiscal policy" and the "sociopolitical instability" models of inequality and growth—are a point of departure for several papers in Tanzi and Chu and constitute a foil for some of the central arguments advanced in Aghion's essay in Aghion and Williamson. The second class of mechanisms, developed in detail in that essay, relies on distinctly economic responses to demonstrate that redistributive policies aimed at the alleviation of inequality could have positive instead of negative growth effects. By implication, then, failing to implement redistribution in the relevant economic environments is tantamount to letting inequality dampen growth.

The endogenous fiscal policy model of inequality and growth developed in the papers by Persson and Tabellini and by Alesina and Rodrik introduces the endogenous taxation and redistribution choice in a dynamic model of endogenous economic growth. The median-voter theorem, which establishes a key background result, assures the existence

[37] Among the exceptions is Posner (fn. 11), who argues that the variation in the average income fully accounts for the effects of the distribution of income on growth.

[38] There are, of course, other mechanisms in the literature as well, but the four we discuss in this section have been the focal points of the literature in the past decade and are of particular consequence for the works under review.

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of a unique tax/transfer equilibrium corresponding to the policy most preferred by the median voter when the preferences of all voters can be represented as single-peaked over the same unidimensional tax-policy space.[39] An implication of the determination of the tax-transfer policy by the optimal choice of the median voter is that greater inequality increases redistribution away from the well-off and thus adversely affects their savings decisions. Since it is the well-off who bear the weight of investment in this economy, the lower savings rates lead to slower growth.[40] Less formalized versions of this argument include the association of lower growth with the high policy volatility that is caused by political business cycles as well as the corollary of the infamous "race to the bottom": populist demands for increasing wages make countries less attractive to investors, leading to lower growth rates (Iglesias, in Tanzi and Chu, 14–15).

In a second prominent model of inequality and growth, that of Alesina and Perotti, economic inequality is posited to lead directly to sociopolitical instability, including threats of coups and grass-roots revolts.[41] The reasons for this effect, at least in the case of the latter, may include the frustrated expectations of fairness (as Michel Camdessus suggests in Tanzi and Chu, 2) but also, and perhaps more plausibly, the revolting parties' self-identification with the bottom of the socioeconomic pyramid and with low expectations of social mobility. Correspondingly, the manifestations of political instability associated with the actions of the net losers from redistributive policies (for example, attempted or successful coups) may be caused by threatened or actual expropriation, which is likely to increase with greater inequality. The resulting instability, then, creates an environment unfriendly to both savings and investment that, in turn, lowers growth rates.

[39] The somewhat distinct versions of this model were introduced in the papers by Persson and Tabellini (fn. 1) and Alesina and Rodrik (fn. 1). The papers that pioneered the median-voter approach to redistribution are Kevin W. S. Roberts, "Voting over Income Tax Schedules," *Journal of Public Economics* 8 (December 1977); and Arthur H. Meltzer and Scott F. Richard, "A Rational Theory of the Size of Government," *Journal of Political Economy* 89 (October 1981).

[40] The differences between the methodological approach of this model and its forerunners in the analysis of the effects of inequality is well described by the following quote from Joseph Stiglitz's contribution to Tanzi and Chu: "[E]arlier literature emphasizing the role of government in redistribution took the pretax distribution of income as given. The new emphasis is on how government can change the pretax distribution of income" (p. 36).

[41] See, most prominently, Alberto Alesina and Roberto Perotti, "Income Distribution, Political Instability, and Investment," *European Economic Review* 40 (June 1996). See also Yannis Venieris and Dipak Gupta, "Income Distribution and Sociopolitical Instability as Determinants of Savings: A Cross-Sectional Model," *Journal of Political Economy* 94 (August 1986); and Edward N. Muller and Mitchell A. Seligson, "Inequality and Insurgency," *American Political Science Review* 81 (June 1987).

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The sociopolitical instability and the endogenous fiscal policy models of the effects of inequality are inextricably linked in a way we discuss below. Note for now, however, the basic shared conclusion: a higher growth path, and hence stronger democracy, requires the alleviation of inequality. But the endogenous fiscal policy model also implies that the most obvious way of accomplishing this—by direct redistribution—is one of the culprits in fostering lower growth. A possible response, then, is to institutionalize a *non*distributive economic policy, as political economy would have recommended less than two decades ago—but this would fail to address the threat to growth from inequality's contributions to the erosion of sociopolitical stability.[42] Meanwhile, since the creation of meaningful opportunities for socioeconomic mobility must almost inevitably be financed by taxation, finding a comprehensive equalizing policy that does not have the discouraging effect on savings seems unlikely.[43] The most plausible prospect for promoting greater equality, while maintaining growth is, then, to counteract the damage to growth from lower savings by the well-off with positive effects on growth from the net transfer recipients.

Aghion's essay presents two prominent causal mechanisms manifesting these effects. The first of these is induced by a combination of a diminishing-returns production technology and imperfect credit markets. Diminishing returns on marginal units of production inputs—the central reason for the growth convergence results in the neoclassical growth model—imply that transferring a unit of a production input from a larger investor to a smaller one (that is, redistributing toward equality) increases the return on that unit. The higher the degree of inequality in diminishing-returns economies, the greater is the gap between the actual and the potential growth paths.

Critically, as Aghion emphasizes, this conclusion depends on the absence of efficient lending/borrowing mechanisms: if they are present, the (optimal) individual investment decisions with and without redistribution are indistinguishable.[44] Andrea Brandolini and Nicola Rossi echo this point in Tanzi and Chu: "Market imperfections redesign en-

[42] It would leave other inequality-based threats to growth unaddressed, as well, as we discuss below.

[43] As we note in the next section, there may also be a way of creating positive growth effects without decreasing the welfare of the net taxpayers, but its plausibility as a general and comprehensive measure seems doubtful.

[44] The critical conditioning role of capital markets is also emphasized in Bruno, Ravallion, and Squire's chapter in Tanzi and Chu (see, in particular, p. 133). As our discussion of the distributive consequence of trade in the previous section indicates, this role is particularly ominous in the light of the effects of underdeveloped capital markets on deepening the distributive gaps created by the SET transfers.

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titlement rules by restricting differently agents' opportunity sets. From a positive point of view, this means that the development of social institutions aimed at removing market imperfections may simultaneously reduce inequality and raise productivity" (pp. 83–84). The empirical evidence presented by Brandolini and Rossi lends indirect support to the mediating role of credit institutions, offering a glimpse of what might be the net effects of redistribution. Using data drawn from the Luxembourg Income Study of seventeen industrialized countries (critically, the countries with the best-developed credit markets), the authors find no evidence of a negative relation between inequality and growth in their sample, correctly interpreting it as casting doubt not on the existence of such a relation, but on the explanatory power of the endogenous fiscal policy model, in which this relation is not qualified by the assumption of imperfect credit markets (p. 89).[45] We return to the mediating role of credit markets below, where we consider its much less recognized *political* effects.

Whereas in the previous mechanism redistribution improves growth by creating more efficient investment opportunities, redistribution in the model of Aghion and Bolton[46] increases individual incentives to undertake the costly efforts that determine the success of a fixed-cost investment, for example, an investment in education. As repayment is a function of the borrower's initial endowment, the higher that endowment, the authors show, the higher is the (externally unobserved) effort level the borrower will choose in equilibrium and hence the higher is the probability of her entrepreneurial success. Given that growth in this economy is a function of successful high-stakes production, redistributing income toward borrowers from rich lenders increases borrowers' effort levels and hence the total output of the economy. As Aghion notes, this result turns the traditional incentive argument against redistribution on its head: "Redistribution may sometimes be growth-enhancing as a result of incentive effects only!" (p. 18).[47] The relationships

[45] For the counterfactual—the evidence in support of what might be termed the "redistribution effect" of the median-voter arguments (that redistribution does occur in response to inequality) in essentially the same data set—see Branko Milanovic, "Do More Unequal Countries Redistribute More? Does the Median-Voter Hypothesis Hold?" World Bank Working Paper (November 30, 1999). Barro (fn. 18) confirms the differences in the strength of the relationship between inequality and growth between the more and the less developed countries. It is important to note that the implied criticism is not of the median-voter model but of the dominance of the decreasing savings effect over other (positive) effects of redistribution.

[46] Philippe Aghion and Patrick Bolton, "A Trickle-Down Theory of Growth and Development with Debt Overhang," *Review of Economic Studies* 64 (April 1997).

[47] Some caution, though, should be maintained: the expectation of a redistribution may induce negative *intertemporal* incentives for the transfer recipients.

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captured in this model have another important consequence: although Aghion makes no mention of it in Aghion and Williamson, in the original paper the authors show that it is possible to define a redistribution formula such that the growth losses from the disincentives to the taxpayers (akin to those that are the driving force of the model of endogenous fiscal policy) are more than compensated by the growth gains from the positive incentives to the transfer recipients.

The demonstration that redistribution may have a positive rather than a negative effect on growth suggests that the pessimistic policy implication of the endogenous fiscal policy model may be overdrawn. But the development of this thesis does not address merely the economic feasibility of redistributive policies; it also has distinct implications for the larger question of the relationship between inequality and growth: in the population of economies identical to the postdistributive one in all relevant respects with the exception of a less equal income or wealth distribution, inequality is bad for growth. Put somewhat differently, the last two mechanisms suggest that, in the absence of an equality-based redistributive policy, an economic shock that leads to net losses in the incomes of the less well-off may be harmful to growth, even if it increases the incomes of the wealthy by the same or larger amount.

Although the models just discussed differ in their posited causal chains, all of them predict the negative effects of inequality on growth. Consider, however, the distinct responses to inequality on the part of the agents in the societies captured in the first two models. Whereas in the first model inequality is posited to induce redistribution via voting, in the second it is understood to induce behavior that challenges the legitimacy of the political regime. One may, perhaps, dismiss the significance of this difference as being between what are essentially complementary political responses, but that would be to lose sight of something important that affects not only the interpretation of these two models of inequality and growth but also of all four models discussed above: the political feasibility of preferred policy choices.

Taking seriously the political agency of the potential transfer recipients, sociopolitical instability is most plausibly viewed as a conditional substitute for the redistributive policies envisaged in the median-voter model of endogenous fiscal policy and not as their complement.[48] Assuming that voters prefer signaling their attitudes by participating in

[48] Unfortunately for the coherence of their arguments, however, the empirical tests of these two models have been interpreted as at once a wholesale refutation of one and a vindication of the other; see, for example, Perotti (fn. 18).

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the (costless) electoral channels of political representation rather than by engaging in costly protest activity, political instability is best seen as a consequence of the absence of redistribution, rather than as an intrinsic consequence of inequality. The realities of pluralist politics, which reward the better organized and the better resource-endowed groups, determine the extent to which government policies are sensitive to the demands of the median voters and, in turn, both electoral and extra-electoral voter response to this (in)sensitivity.

Ultimately, factors that affect the voters' assessment of the defensibility of a socially and politically disruptive action will almost surely include expectations about their comparative welfare under the existing and the alternative political regimes and about their ability to affect the choice of policy (including redistributive policy) relevant to their welfare. Thus, the economic arguments in favor of redistributive policies and increases in educational expenditures unanimously endorsed by Aghion, Rodrik, and the contributors to the Tanzi and Chu volume and to the IADB report have a distinctive (in the immediate sense, growth-independent) political dimension. The high wealth elasticity of educational attainment and the relative inability to finance entrepreneurial ventures by borrowing—hallmarks of the highly inefficient capital markets that are typical in LDCs—result in low expectations about the social mobility of the poor and their capacity to adjust to economic change. Pursuing regime-preserving political and economic strategies in such circumstances is likely to yield them future prospects that differ little from their current conditions, producing a situation that undermines the legitimacy of existing political regimes and increases the appeal to the poor of politically destabilizing efforts to improve their welfare.[49] While these efforts could lead the government to adopt a fairer economic policy, their effect in nascent democracies is likely to be doubly negative, undermining both the stability of the democratic regime (directly and by inducing the politically treacherous populist economic policy) and the growth-dependent democratic consolidation.[50]

One of the most cogent available defenses of a general institutional and policy-making structure that can help avert such politically and

[49] This fact distinguishes the developing countries from the advanced industrial democracies, where public access to capital markets is significantly more open, offering better prospects for social mobility and, in turn, greater political stability. Significantly, as Roland Benabou and Efe Ok show in a recent paper, a lower degree of social mobility also leads to higher demands for redistribution, closing a vicious circle of the political effects of inequality in LDCs. See Benabou and Ok, "Social Mobility and the Demand for Redistribution: The POUM Hypothesis," NBER Working Paper no. 6795 (November 1998).

[50] These effects correspond, respectively, to the "exogenous" and the "endogenous" prosperity-hence-democracy arguments; see Przeworski and Limongi (fn. 6).

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economically suboptimal outcomes is presented in chapter 4 of Rodrik's book. Rodrik argues in this key chapter that the ability of societies to cope with fundamental conflict-inducing shocks, such as those associated with economic openness, requires the presence of "institutions of conflict management" that "help adjudicate distributional contests within a framework of rules and accepted procedures—that is, without open conflict and hostilities" (p. 100). These institutions function as both outlets for "voice" and providers of social safety nets. They include democratic governance that is accessible to nonelites and free from corruption, civil liberties, an independent judiciary, the rule of law, and the institutionalization of social insurance.

Critically, the existing empirical evidence, some of it presented in Tanzi and Chu, strongly supports the explanatory power of the sociopolitical instability model over that of the model of endogenous fiscal policy.[51] If efficient capital markets and effective institutions of conflict management (acting, to a considerable extent, as a median-voter-like redistributive mechanism) mediate the causal effects of inequality by determining the political response of the affected members of the society, this evidence may be seen as underscoring the substantive force of the following—by now familiar—thesis. Political institutions, including electoral regimes, are properly construed as reflecting both agents' expectations of the policy outcomes associated with particular institutional choices and the underlying power relationships in the society.[52] Given initial inequality, the institutions of conflict management advocated by Rodrik have distributive effects that favor some parties (namely, economically and hence politically weaker) over others (the correspondingly stronger). The conflict over policy choices should thus be expected to spill over into overt or covert conflict over the adoption of institutions, including the institutions of conflict management.[53] It is noteworthy that three of Rodrik's five key case studies that are intended to demonstrate the difference that institutions of conflict man-

[51] For evidence of the little support for the positive relationship between the degree of inequality and marginal tax rates, see, notably, Perotti (fn. 18). A chapter by Enrique Iglesias in Tanzi and Chu cites Argentina, Brazil, and Peru in the 1980s and Chile in the early 1970s as examples of the negative effects of populist economic policies (p. 15), but as the author himself notes, the real issue in these countries was the deficit financing of populist reforms, which led to stagflation. The cross-country evidence of the relationship between inequality and sociopolitical instability is reviewed in Alberto Alesina's contribution to Tanzi and Chu (and, more extensively, in Philippe Aghion and Peter Howitt, *Endogenous Growth Theory* (Cambridge: MIT Press, 1998), chap. 9.

[52] For a recent elaboration, see Knight (fn. 3).

[53] This point distinguishes democracies from nondemocracies in degree, at best; most societies that score relatively high in the standard measures of political and civil rights have a highly means-sensitive political *process*.

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agement make in political and economic outcomes are the countries in which the *antecedent* degree of inequality (relatively low in South Korea and high in Brazil and Turkey) correlates with, respectively, the relative presence and the relative absence of these institutions.[54]

Rodrik's institutional argument and the defenses of redistributive policies presented in Aghion's essay, the IADB report, and Tanzi and Chu offer convincing assessments of the effects of their policy recommendations—if these could be implemented without resistance. All, however, fail to consider the political feasibility of implementing these recommendations.[55] As we argue in the next section, the significance of this omission goes beyond simple incompleteness of analysis (which is most glaring in the endogenous fiscal policy model's *assumption* of redistribution as a fait acompli when the preference of the median voter calls for it). Perhaps most importantly, it creates uncertainty about the net political and economic effects of pursuing a redistributive economic policy. Here the redistributive advice may not only be difficult to implement but also may be contrary to the best political and economic interests of society (as witnessed by the history of post–World War II South American coups linked to redistribution).[56]

At another level, the evidence presented in the IADB report and in Alesina's chapter in Tanzi and Chu suggests that the feasibility of economic redistribution varies from case to case. Thus, for example, whereas most Latin American countries have moderately progressive social spending, it is generally regressive in Brazil; or whereas the relative welfare of the very poor has improved in the post-1974 Chilean and the post-1982 Mexican economic adjustments, it appears to have worsened in 1960s–70s Mexico and 1980s Venezuela (Alesina, 307–8, 313–14; IADB, 190–94). As these authors correctly note, the extent of the redistribution brought about by such programs is closely linked to the loca-

[54] Of the two remaining countries—Indonesia (with 1988 Gini of 0.336) and Thailand (with 1988 Gini of 0.474)—whose responses to the Asian crisis are a focus of Rodrik's institutional analysis, Indonesia had what is now known to be an extraordinarily high degree of decades-long institutionalized corruption at the highest ranks of government and the military, ex ante making the adoption of the institutions of conflict management an unlikely prospect.

[55] Alesina's chapter in Tanzi and Chu displays acute awareness of the vagaries of political feasibility and of what he calls "redistribution to the vocal" rather than to the needy, but aside from listing cases in which the desirable kind of redistribution occurred, he does not offer an examination of the conditions that made it possible.

[56] For some examples of works emphasizing this causality in the cases of the 1964 coup in Brazil, 1952 in Guatemala, and 1973 in Chile, see Michael Wallerstein, "The Collapse of Democracy in Brazil: Its Economic Determinants," *Latin American Research Review* 15, no. 3 (1980); Robert Trudeau, *Guatemalan Politics: The Popular Struggle for Democracy* (Boulder, Colo.: Lynne Rienner, 1993); and Arturo Valenzuela, "Chile: Origins, Consolidation and Breakdown of a Democratic Regime," in Larry Diamond, Juan J. Linz, and Seymour M. Lipset, eds., *Democracy in Developing Countries: Latin America* (Boulder, Colo.: Lynne Rienner, 1989).

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tion of socioeconomic fault lines in these societies. Thus, consequences of inequality for growth cannot be fully predicted without accounting for the variation in effective, politically feasible redistribution.

V. Politically Feasible Redistributive Policy

The construction of a politically plausible account of policy choice requires a systematic determination of (1) when agents will resort to one as opposed to another response to the status quo level of inequality and redistributive policy and of (2) the net effects these responses may be expected to produce. In what follows we discuss several approaches to creating such an account. In order to capture the central issues of endogenous political response, we frame the discussion by considering the distinct economic and political circumstances that determine the degree of opposition to redistribution on the part of the net taxpayers.[57]

The first set of circumstances corresponds to what may be thought of as the best possible world—one in which the benefits of redistribution for the wealthy could be shown to outweigh the costs of their forgone income shares. If convincing, arguments for redistribution in such circumstances would make the problem of political feasibility moot. The difficulty, of course, is that although there may be particular conditions under which such arguments can be made, there are significant obstacles that prevent them from becoming the comprehensive solution. Given the status of education as a "general purpose technology" (that is, one that increases the productivity of the economy across the board, for example, by generating innovations that may be expected to spread to every field), improving human capital markets may be thought to come close to being a universally preferred redistributive policy. However, even assuming that the net taxpayers are sufficiently "patient," their assent is likely to require substantial reassurances about the ultimate distribution of benefits from education. In the absence of mechanisms that can provide this and thereby reduce the "risk" of such "investments," the redistributive policy is unlikely to become politically feasible. This realization suggests a role for governments that is somewhat distinct from that of merely increasing expenditures on the education of the current have-nots. To increase the political feasibility of the tax-transfer policies necessary to finance such expenditures, governments may do well to supplement these policies with the creation of

[57] Even where some results are already available, the key aim of our sketch is to suggest directions for further research in relation to possibilities they uncover.

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risk-reducing mechanisms, for example, by structuring taxation as an input in a trust with guaranteed individuated returns. Significantly, the collective action problems associated with implementing the exclusion from sharing in the economy-wide benefits of education make the provision of such mechanisms a distinctly political function.

Although not completely implausible, this approach is at best partial, as it relies on the ability (and credibility) of governments to create and maintain such institutions. The latter condition is particularly difficult to satisfy in the emergent democracies, whose highly volatile economic and somewhat fragile political systems are not likely to inspire a great deal of confidence in the would-be taxpayer-cum-investor. But help in this regard can be sought elsewhere. Given the relatively broad domestic political appeal of such projects, the interests of the international community in the economic and political welfare of such societies may be well served by acting as their financial guarantor.

A more likely scenario, however, is one in which redistribution is perceived by the wealthy to be contrary to their economic interests, the protection of which motivates them to undertake actions (commensurate with their costs) to block the selection or the implementation of redistributive policies. In such circumstances the predominant model of redistributive economic decision making in the political economy literature (including the endogenous fiscal policy approach to inequality and growth)[58]—the median-voter model—is arguably one of the *least* plausible models of policy choice.

The median-voter model is best characterized as a model of the political environments with complete (in the relevant scope) and effective voter control over government policy. In particular, societies must be thought of as having successfully resolved two central problems of the extraelectoral policy determination, problems that plague both advanced democracies and the more recent democratic converts: *agenda control* and *bureaucratic capture*. In the first case the median voter is denied the opportunity to cast a vote that could, in principle, be consequential for the determination of policy. In the second, even if such a vote could be cast, the problems of moral hazard, augmented by the difficulties of monitoring and effectively punishing noncompliance, make it unlikely that the median voter's preferred choice will be implemented by the executive.

Paradoxically, the most plausible substantive interpretation of the political and economic environments in which these problems are least

[58] The exception is some of the recent work on the political economy of transitions. We discuss an important representative of this work below.

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rampant (and hence, in relation to which the median-voter framework is most plausible) is as those in which the scope of inequality and the potential for redistribution are relatively *insignificant*. This is so because the singular predominance of the electoral-based policy determinants implicit in the median-voter argument signals the relative absence (or, alternatively, the relatively equal distribution) of rents to be captured by influencing the policy via extraelectoral channels (for example, lobbying)—a property that rather unambiguously characterizes the more economically equal political democracies.

In short, all else equal, the lower the degree of economic equality, the less likely we are to see the predominance of voting-based policy determination, making the median-voter choice an exceedingly poor predictor of policy in more unequal societies.[59] Therefore, although the median-voter model may be useful as a theoretical device allowing the identification of a purely democratic-majoritarian policy choice, the political economy of *in*equality and redistribution would do well to supplement it with explicit strategic bargaining sensitive to the political effects of the inequitable control of economic resources.[60]

A promising approach to establishing the feasibility of redistribution along these lines was recently offered by Daron Acemoglu and James Robinson in the context of a model of democratic transitions.[61] They explicitly introduce the breakdown outcomes of the extraelectoral bargaining—the credible threats of rebellions by the poor and of coups by the wealthy elite—into the median-voter model of taxation and redistribution. The more numerous poor, who include the median voter, set the tax rate when the political regime is a democracy; the rich set it if it is an autocracy. Under autocracy, the poor also choose whether to stage a costly revolution, expropriating the capital stock of the rich in that period, while the rich, who cannot credibly commit to a tax-transfer

[59] Similar dynamics characterizes the justification of redistributive programs as insurance mechanisms: the greater the gap between the rich and the poor, the less plausible is the possibility that the rich's welfare can drop substantially enough to make it worthwhile to bring up the welfare of the poor as a protection for the rainy day.

[60] In an influential review of the literature, Benabou (fn. 1) extends the endogenous fiscal policy analysis of redistribution and growth by endogenizing the possibility of the voting distribution being truncated at the bottom or at the top, and thereby producing political institutions with, correspondingly, "positive or negative wealth bias." But Benabou's results (positive wealth bias implies lesser and negative greater danger to growth) contain a bias of their own by failing to treat the "excluded" portions of the population as political agents, whose responses to such an exclusion should be expected to affect the resulting policy or the nature of the political regime. At least with respect to the truncation at the top, it is difficult to see how the outcome could constitute a plausible political equilibrium of a larger background interaction.

[61] Acemoglu and Robinson, "A Theory of Political Transitions" (Manuscript, Department of Economics, MIT, 1999).

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rate that would favor the poor in that period without extending to them the franchise, choose whether to democratize by extending the franchise (which could, at least partially, protect their capital stock). Under democracy, the rich choose whether to stage a costly coup, which would allow them to set a lower tax rate, but at an additional cost of possibly inciting a revolution in the following period.

Acemoglu and Robinson show that even when the rich decide against democratization (when the expected costs of a revolution are sufficiently high and hence its attractiveness to the poor can be feasibly offset), they may still prefer to redistribute away from themselves to prevent a revolution. For the given parameter conditions, the higher the degree of inequality (and hence, all else being equal, the more attractive the revolution is to the poor), the greater is the extent of voluntary sharing by the rich.[62] Meanwhile, the political survival of democratic regimes requires that governments at times adopt rigid constraints on their preferences for redistributive policies, as, arguably, occurred in the 1990s in Brazil and El Salvador.[63]

By articulating the conditions for feasible redistribution, this model supplies an important piece of the growth and redistribution puzzle that is not addressed by the works under review. But it also underscores the importance of another, related consideration that eludes them. From the political agency standpoint, showing that redistribution is good for growth stops short of showing that actually pursuing a redistributive policy is good for growth as well. Even if redistribution may be politically feasible, the conditions of its feasibility in the Acemoglu-Robinson model capture precisely what the sociopolitical instability model of inequality identifies as detractors of growth. As we argued above, a good case can be made that inequality is bad for growth and that, holding constant the political effects, redistribution may be beneficial. However, in the comprehensive political-economic analysis of redistribution, which must include the effects of sociopolitical instability, the net growth effects of a democratic government's pursuit of a redistributive policy are ambiguous. Importantly, the political effects are also

[62] Somewhat surprisingly in the context of the median-voter arguments (but fairly intuitive, once the possibility of power capture by the rich is introduced), Acemoglu and Robinson (fn. 61) also show that when the cost of taxation function is sufficiently convex, the higher the degree of inequality in the democracy, the *lower* is the average tax rate. This follows because higher inequality (and hence greater redistribution) makes coups more appealing to the rich—an effect that, in the interests of preventing the coups, must be offset by lowering the extent of redistribution.

[63] For the empirical discussions motivating Acemoglu and Robinson's arguments, see Kurt G. Weyland, *Democracy without Equity: Failures of Reform in Brazil* (Pittsburgh, Pa: University of Pittsburgh Press, 1996); and Leonard Wantchekon, "Strategic Voting in Conditions of Political Instability: The 1994 Elections in El Salvador," *Comparative Political Studies* (forthcoming).

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ambiguous. This is clearly the case for the second-order effects, via the growth-democracy connection. But it is also true of the more direct effects. Because redistribution indirectly contributes to incentives for economic elites to subvert the democratic rule and given the well-documented path dependencies in the histories of military-political coups,[64] the net effect of a democratic government's pursuit of a redistributive policy may well be contrary to its larger political goals. A convincing argument for or against redistributive policies and a comprehensive explanation of these policies' effects in particular economic and political environments will require the lessening of these ambiguities.[65]

Another issue to be considered is that of the effects of redistributive policies in the institutionally more complex *political* environments. The binary choice of complete democracy versus autocracy is too coarse to explain the institutional effects of inequality and redistributive policies in day-to-day politics. A glimpse at the nature of these effects is offered by the recent evidence of a very significant positive relationship between the degrees of inequality and the increase in the extent of presidential powers in the postcommunist states.[66] While the corresponding policy effects remain to be seen, this relationship points to the importance of considering microinstitutional changes for understanding the dynamics of the political effects of inequality.

Finally, future analysis should also focus on the effects of adding complexity to *economic* environments.[67] Such effects may be consequential even without assuming the credible threat of regime switching, as in the following model. Assume that rather than choosing whether to orchestrate a coup, the rich simply choose whether to veto the redistributive policy selected by the relatively poor median voter,

[64] See John B. Londregan and Keith T. Poole, "Poverty, the Coup Trap, and the Seizure of Executive Power," *World Politics* 42 (January 1990); and idem, "The Seizure of Executive Power and Economic Growth: Some Additional Evidence," in Alex Cukierman, Zvi Hercowitz, and Leonardo Leiderman, eds., *Political Economy, Growth, and Business Cycles* (Cambridge: MIT Press, 1992).

[65] Another level of complexity is introduced with the ubiquitous "voting with the feet," which is assumed away in the competing interests models discussed in this section, but which is, of course, increasingly relevant in the globalizing economy.

[66] Tim Frye, "Presidents, Parliaments, and Democracy: Insights from the Post-Communist World," in Andrew Reynolds, ed., *Constitutional Design: Institutional Design, Conflict Management, and Democracy in the Late Twentieth Century* (Oxford: Oxford University Press, 2000); and idem, "Cashing In: The Dynamics of Post-Communist Presidential Power" (Manuscript, Department of Political Science, Ohio State University, 2000). In the most dramatic case—Russia—a 75 percent increase in the value of a Gini coefficient corresponds to a 150 percent increase in the presidential power (based on a version of a scale of presidential powers developed in Matthew Shugart and John Carey, *Presidents and Assemblies: Constitutional Design and Electoral Dynamics* [Cambridge: Cambridge University Press, 1992]).

[67] In the Acemoglu-Robinson model (fn. 61) the economic environment does not include production decisions by the agents.

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with exercising a veto bearing a cost proportional to the size of the net tax being blocked. To make the underlying logic particularly stark, assume also that the poor cannot engage in effective regime change (perhaps simply because of the difficulties of overcoming the collective action problems when means are limited). In each period, following the sequential decisions by the poor (of what tax to levy) and by the rich (of how much of the tax to veto), production with diminishing marginal returns takes place, with inputs to production consisting of the post-tax-and-transfer endowments.[68] In recent work[69] we show that even if the cost of vetoing a tax equivalent to one unit of wealth is less than that unit, the rich may still prefer to bear the burden of taxation. Because of the nature of the production technology, a unit of endowment transferred to the poor generates a higher return in their hands than when it is invested by the rich. By accepting a tax in earlier periods, the rich effectively save in additional tax or in the cost of vetoing later on.

One of the implications of this model is that redistribution is more feasible politically in societies whose economies have more diminishing returns to production. This implication suggests that under the political conditions that create the cost variability of a policy "veto," the causal mechanism in the diminishing-returns-based argument for redistribution (discussed in the previous section) may, in fact, contribute to establishing its own political feasibility.

Another and perhaps more important implication concerns the causal mechanisms connecting economic development and democracy. The less the wealthy choose to veto, the closer the policy outcomes are to the choices of the median voter, the more effective are the political rights of the masses, and hence the greater is the extent of democracy. Given that redistribution is more politically feasible in economies that experience more rapidly diminishing returns in production, it follows that democracy is likely to be more fully realized (stronger) in countries that rely on such production technologies. An important support for this argument comes from the neoclassical growth model. In this model, which predicts the (conditional) convergence of production paths across countries, such technologies are associated with higher levels of GDP and, correspondingly, with greater degrees of democracy.

The diminishing-returns model of feasible redistribution may be seen as offering a causal mechanism that links democracy, economic

[68] Recall that diminishing-returns production technology is one of the driving forces behind the growth convergence results.

[69] Dimitri Landa, "Income Redistribution and Democratization" (Manuscript, Department of Political Science, University of Minnesota, 2000).

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prosperity, and inequality in a way that is broadly congruent with the interpretation of Barro's results on the effects of inequality broached at the end of Section II: the conjunction of inequality and diminishing returns simultaneously determines both the extent of democracy and the extent of economic growth. Moreover, we should expect to see precisely the regression results reported by Barro: in the absence of controls for the nature of the production technologies, the coefficient on GDP (which already reflects both the production technology and inequality) is potentially more significant than the coefficient on inequality itself, and there is a strong positive relationship between democracy and development.

VI. Conclusion

Social scientists have been cognizant of the importance of economic inequality in determining the nature of political regimes at least since the rise of the thesis of economic determinism in the middle of the nineteenth century. The arguments reviewed in this article provide a more nuanced explanation of that relationship, namely, that the effects of inequality on the quality and stability of democracy are transmitted through economic growth or are confounded with the effects of growth in a way that calls for an integrated causal account.

A plausible approach to creating such an account lies in the consideration of the political feasibility of redistributive policies, which is explicitly or implicitly assumed by the existing models linking inequality and growth. We argue that this assumption is problematic from the standpoint of developing both a positive theory of inequality and normative policy advice. In the first case these mechanisms may be seen as underdeveloped in that their posited consequences fail to take account of the conditions of political feasibility of redistributive policies, which should be properly seen as endogenous to political theories of inequality. In the second case the policy advice produced without such an endogenous account is likely to be biased in a way that may jeopardize rather than advance the cause of democratic consolidation. We outline several approaches to offering such an account.

It may, perhaps, be viewed as ironic that our response to what we have criticized as the omission of the analysis of political feasibility is a return to the consideration of economic mechanisms. The irony is only apparent, however. Even in politically more transparent societies, like those of Western democracies, political processes are characterized by rampant problems of imperfect information and adverse incentives that

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make it difficult for voters to control the policy choice in the face of activism by special interests. In societies with a less institutionalized democratic process, not only the policy outcomes but also the stability of democratic rule as such may be a function of private actions that are essentially beyond voter control. Under such circumstances, the best hope for the adoption of politically advantageous policies is likely to be appeals to interests that are shared by those who would bear the economic costs of such policies, whether they be policies of direct redistribution or of the creation of potentially conflict-ridden "institutions of conflict management." Establishing the conditions for the existence of such interests may be the biggest contribution political economy can make to the democratic project.

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USURPING THE SOVEREIGNTY OF SOVEREIGNTY?

By DANIEL PHILPOTT*

Michael Ross Fowler and Julie Marie Bunck. *Law, Power, and the Sovereign State: The Evolution and Application of the Concept of Sovereignty.* University Park: Pennsylvania State University Press, 1995, 200 pp.

Rodney Bruce Hall. *National Collective Identity: Social Constructs and International Systems.* New York, NY: Columbia University Press, 1999, 397 pp.

Stephen D. Krasner. *Sovereignty: Organized Hypocrisy.* Princeton: Princeton University Press, 1999, 264 pp.

FORCED to abdicate by his rival Bullingbrook, Shakespeare's Richard II laments, "I find myself a traitor with the rest,/ For I have given here my soul's consent / T'undeck the pompous body of a king, / Made glory base, a sovereignty a slave."[1] In the spirit of Bullingbrook, Stephen Krasner has set out to "undeck" the concept of sovereignty as a foundational assumption in international relations scholarship—to dethrone it, denude it, strip it of its aura of continuity with an immemorial past, deprive it of its, well, sovereignty. And Michael Fowler and Julie Marie Bunck, drawing on international legal scholarship as well as on political science, argue similarly, though less audaciously.

Sovereignty desacralized: it may not seem a provocation. Was not the concept already in question? To be sure, many of the most prominent international relations theorists during the cold war simply assumed sovereign states and then charted out their patterns of war, peace, and commerce in terms of theories of systems, alliances, balances of power, war, deterrence, decision making, trade, monetary relations, and so on. But by the 1970s and 1980s some scholars had come to believe that states were losing control over the flow of money, goods, people, corporations, and information across their borders, and they started speaking of sovereignty in crisis: "at bay," "in its twilight," "at an end."[2] Though these

* For helpful comments on this article, I thank Aaron Belkin, Benjamin J. Cohen, and Michael Hall.

[1] William Shakespeare, *Richard II*, ed. Michael Clamp (Cambridge: Cambridge University Press, 1992), act 4, scene 2, lines 247–50.

[2] See, among others, Walter Wriston, *The Twilight of Sovereignty* (New York: Scribners, 1992); Kenichi Ohmae, *The End of the Nation State* (New York: Harper Collins, 1995); Raymond Vernon, *Sovereignty at Bay* (New York: Basic Books, 1971); Richard Cooper, *The Economics of Interdependence: Economic Policy in the Atlantic Community* (New York: McGraw-Hill, 1968). For a good discussion of the relationship between sovereignty and power, see Harry Gelber, *Sovereignty through Interdependence* (London: Kluwer Law, 1997).

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scholars arguably confused sovereignty with power and control, forgetting the traditional meaning of the concept as legal, constitutional authority, they nevertheless succeeded in raising sovereignty as a question. And by the 1990s, as the European Union expanded, as intervention won international sanction in Bosnia, Rwanda, Haiti, Iraq, and Somalia, some scholars began to doubt the "sanctity of sovereignty" even in its traditional constitutional sense.[3] Krasner quotes a prominent scholar of sovereignty, Bryan Hehir, who argues that the Westphalian system is under unprecedented assault (p. 24). So what is new about the new iconoclasm?

Its striking claim is not that sovereignty is being eroded, circumscribed, and violated but rather that it never enjoyed stability in the first place. It is not that sovereignty no longer is; it is that it never quite was. Both Krasner and Fowler and Bunck question the notion of international relations as a "Westphalian order" that originated in the seventeenth century and then continued to the present, beginning only now to cleave. Instead, their common thesis runs, state sovereignty has been revisable and revised, violable and violated—constantly and continuously, for diverse causes and purposes. Krasner's thesis is striking for its iconoclasm and theoretical sophistication. But both works pose a vigorous challenge, rich in implications about sovereignty—its history, its role in international politics, its place in international relations scholarship, and its changing status today.[4]

Does the coup succeed? Its biggest success is to expose sovereignty as far more compromised in practice than most scholars had yet recognized. But for all the sophistication in Krasner's and Bunck and Fowler's catalog of compromises, in the end the dethronement fails. Though each work marshals formidable evidence of compromises, nei-

[3] Among dozens of examples, see Jarat Chopra and Thomas G. Weiss, "Sovereignty Is No Longer Sacrosanct: Codifying Humanitarian Intervention," *Ethics and International Affairs* 6 (1992); and the essays in Gene M. Lyons and Michael Mastanduno, *Beyond Westphalia? State Sovereignty and International Intervention* (Baltimore: Johns Hopkins University Press).

[4] For other recent works that also treat sovereignty at a conceptual level, see Jens Bartleson, *A Genealogy of Sovereignty* (Cambridge: Cambridge University Press, 1995); Thomas J. Biersteker and Cynthia Weber, eds., *State Sovereignty as Social Construct* (Cambridge: Cambridge University Press, 1996); R. B. J. Walker, *Inside/Outside: International Relations as Political Theory* (Cambridge: Cambridge University Press, 1993); and J. Samuel Barkin and Bruce Cronin, "The State and the Nation: Changing Norms and the Rules of Sovereignty in International Relations," *International Organization* 48 (Winter 1994); Robert O. Keohane, "Sovereignty, Interdependence, and International Institutions," in Linda B. Miller and Michael Joseph Smith, eds., *Ideas and Ideals: Essays on Politics in Honor of Stanley Hoffmann* (Boulder, Colo.: Westview Press, 1993); the essays in Sohail H. Hashmi, ed., *State Sovereignty: Change and Persistence in International Relations* (University Park: Pennsylvania State University Press, 1997); Robert Jackson, ed., *Sovereignty at the Millennium* (Oxford: Blackwell Publishers, 1999); Alan James, *Sovereign Statehood: The Basis of International Society* (London: Allen and Unwin, 1986); F. H. Hinsley, *Sovereignty*, 2d ed. (Cambridge: Cambridge University Press, 1986).

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ther offers a yardstick by which to measure these deviations against states' comparative respect for sovereignty. We are left, therefore, with no way to judge the magnitude of the deviations. More troubling, both works measure the importance of norms of sovereignty solely in terms of compliance, and therefore ignore a much deeper way in which the norms exercise influence—by constituting the very polities that enjoy sovereignty and the very international system that helps to establish their authority. Auspiciously, another recent work, Rodney Bruce Hall's *National Collective Identity,* conceives of sovereignty precisely in this constitutive way. The final part of this essay explores his theoretical and historical treatment of this constitutive role and proposes it as a theme for new scholarship on sovereignty.

I

Krasner states the new thesis most strongly: "[T]he most important empirical conclusion of the present study is that principles associated with both Westphalian and international legal sovereignty have always been violated. Neither Westphalian nor international legal sovereignty has ever been a stable equilibrium from which rulers had no incentive to deviate" (p. 24). Krasner's audacity lies in his adverbs—always, ever. He does not propose broad, epochal change in norms and practices of sovereignty, nor does he assert a golden age during which sovereignty was once accepted, respected, and practiced, before falling into desuetude and decline. He proposes instead that little has changed at all. No, as long as there have been states, states have compromised their own sovereignty and violated that of others. This flux is the constant. Krasner's thesis challenges realism and other theories that assume constant, unpunctured sovereignty, but it also contests claims for recent, sweeping change, whether founded in international law or drawn from discourse on globalization (p. 24).

To argue for the flux of sovereignty, Krasner must first tell us what sovereignty is. Because the concept has itself experienced flux, it is defined uneasily—some think impossibly, given the cacophony of definitions in the literature.[5] Krasner defers to this complexity by abjuring any single rendering; instead he culls four distinct senses of the concept

[5] For skeptics of stable definitions of sovereignty, see Lassa Oppenheim, *International Law*, vol. 1 (London: Longmans, Green, and Co., 1905), 103; Richard Falk, "Sovereignty," in *Oxford Companion to Politics of the World* (Oxford: Oxford University Press, 1993), 854; Bartelson (fn. 4); S. Benn, "Sovereignty," in *Encyclopedia of Philosophy* 7 (1955), 501–5; and E. H. Carr, *The Twenty Years' Crisis* (New York: Harper and Row, 1964).

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from the tradition. The most traditional meaning, first strongly articulated by Hobbes and Bodin, is "domestic sovereignty," the authority and effective control of a government within a state (pp. 11–12). A more contemporary meaning, advanced by globalization proponents, is "interdependence sovereignty," the ability of a government to seal its borders, to control the inflow and outflow of goods, money, people, disease, ideas, pollution and the like (pp. 12–14). The third type, "international legal sovereignty," is that which is conferred or withheld when a state is recognized by other states and accorded the full legal privileges associated with statehood—juridical equality, diplomatic privileges, membership in international organizations. This is the sort of sovereignty international legal scholars most typically have in mind (pp. 14–20). Finally, "Westphalian sovereignty" is the immunity from external interference that a state enjoys in its domestic structures of authority. It is compromised most often when a state is intervened against but also when a state invites an external body to govern some of its domestic functions (pp. 20–25).

Krasner's typology will not win unanimous endorsement. Some scholars, myself included, simply do not accept that interdependence sovereignty is really sovereignty at all, for it involves mere power, not constitutional authority. But the contemporary surfeit of definitions renders unanimity too high a standard. Acknowledging but differentiating the major conceptions of sovereignty in the literature, ones that other scholars have conflated, misunderstood, or falsely represented as exhaustive, Krasner's typology is progressive for scholarship. The distinctions prove to be necessary for describing political reality where different types of sovereignty often coexist independently (pp. 24–25). A state, for instance, might enjoy domestic, Westphalian, and international legal sovereignty but lack interdependence sovereignty because it has little control over immigration or investment. Or a state might enjoy international legal sovereignty—the right to make agreements—but choose to compromise its Westphalian sovereignty by agreeing to the conditionality terms of the International Monetary Fund (IMF).

Krasner also aptly distinguishes authority (an actor's mutually recognized right to act in certain ways) from control (the influence of brute force), and he characterizes the types of sovereignty accordingly. Westphalian and international legal sovereignty are matters of authority, the rights of a state against outsiders. Interdependence sovereignty is a matter of control, a state's control over its borders. Domestic sovereignty involves both the recognition of authority structures inside the state and a state's control over its affairs (p. 10).

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This distinction combined with his others yields a catalog of sovereignty as thorough and useful as any scholar has offered. Krasner's typology then poises him well for his argument. In differentiating various types of sovereignty, he is able to show more precisely how each has undergone constant change. He focuses on international legal sovereignty and Westphalian sovereignty, the ones that invoke authority. States have long violated international legal sovereignty by withholding recognition from other states and their governments and by recognizing entities other than states: the British Dominions were included in the Versailles Treaty even though they were not fully independent; India and the Philippines were members of the United Nations while still colonies. States have long compromised Westphalian sovereignty through intervention and through cession of governance to international courts, lenders, and other international institutions.

These vicissitudes of sovereignty are Krasner's central theme. His ambition, though, far exceeds simply making the case *that* sovereignty has long been violated, compromised, and truncated. He also wants to account for *why* states have always violated, compromised, and truncated sovereignty. They do so in keeping with their interests: this famously malleable locution is his summary answer (p. 7). But he brings sophistication to the familiar dictum. In deciding whether to respect sovereignty, he explains, the ruler of a state will consider solely whether his action promotes or diminishes the good of his polity, not whether it conforms to an international norm. Norms governing sovereignty, then, are not efficacious. Here, Krasner borrows James G. March and Johan Olsen's distinction between logics of expected consequences and logics of appropriateness. In logics of consequences, rulers determine their actions, including their adherence to institutions, in order to maximize a given set of preferences. In logics of appropriateness, rulers choose actions according to rules, roles, and identities that tell them how they should act in a particular situation given who they are (p. 5). Whereas the constant flux of sovereignty is Krasner's first important thesis, his second major claim, what he calls his most "basic contention," is that "the international system is an environment in which the logics of consequences dominate the logics of appropriateness" (p. 6).

Krasner repeats this basic contention throughout the book. What is the reasoning behind it? His actor-oriented approach assumes that rulers everywhere seek to retain power and do so through promoting the interests of their domestic constituents—interests that may or may not include respect for international norms. Like realists, then, Krasner holds that states take little account of international norms. Some of his

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supporting reasons, too, are quite realist. Asymmetries of power in the international system mean that strong states can compromise the sovereignty of weak states if it suits their instrumental objectives. But Krasner, more subtle than most other realists, offers other reasons for the weakness of international norms, these concerned with the effect of rules and roles. Rulers themselves, he argues, do not merely face power imperatives that conflict with international norms; they also embody multiple roles that prescribe conflicting rules for action. Party organizer, ethnic representative, and religious prophet are a few of the examples he offers. The domestic roles of leaders may conflict with their international roles, and when they do, domestic roles are likely to be stronger because they dominate any leader's self-conceptualization. International norms themselves often conflict, too; for example, it is difficult to respect nonintervention and enforcement of human rights simultaneously (p. 6).

In arguing that both domestic and international rules have effects, Krasner departs from some of his earlier, more realist work, in which he views rules as having only limited autonomous impact.[6] Krasner displays subtlety, too, in his claims about the sorts of domestic interests rulers seek to satisfy. Unlike many realists, he believes these interests are not confined to material power—land, wealth, military might. Universal human rights or nationalist ideology are common desiderata, too. But it is nevertheless domestic demands to which rulers respond, this in an international environment of tangled rules and power imbalances, all of which leave international norms continually violated, constantly compromised.

Just as Krasner develops a typology of conceptions of sovereignty to support his contention that sovereignty is in universal flux, so, to make his argument for why they compromise it, he fashions a typology of ways states compromise sovereignty. He constructs the typology with respect to actions and incentive structures. Does the compromise occur by coercion or agreement? Does it improve one party's interests at the expense of the other? Does it depend on the contingent behavior of its signatory parties? Four kinds of compromises emerge. First, rulers can enter *contracts,* in which they voluntarily make commitments that make all sides better off but whose duration depends on their continued compliance. Second, rulers may join *conventions,* international agreements

[6] See Stephen D. Krasner, *Structural Conflict: The Third World against Global Liberalism* (Berkeley: University of California Press, 1985). Here rules are international regimes that are not epiphenomenal but rather closely reflect the international distribution of power. His emphasis is on structural constraints.

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that are also voluntary and from which they expect to gain but that do not depend on mutual compliance—the European Human Rights regime, for example. Third, states can face *coercion,* interference with their sovereignty contrary to their will, leaving them worse off, but not eradicating their power to resist and alter the terms of the agreement. Economic sanctions would be an instance of coercion. Finally, states can compromise other states' sovereignty through *imposition.* The target undoubtedly becomes worse off, perhaps even conquered, and is overwhelmed to the point that it has no effective say over the terms of the compromise. Cold war East European states are examples. Krasner's typology, too, is a major innovation: for all of the existing accounts of the concept of sovereignty, descriptions of its demise, and theories of its functioning, no one else has attempted a general description or categorization of how sovereignty is compromised.

Thus we have two typologies buttressing two major theses—that sovereignty is constantly compromised and that it is compromised by states whose interests take little account of international norms of sovereignty—which combine into Krasner's eponymous conceptual innovation, "organized hypocrisy." He borrows the term from Nils Brunsson's study of local politics in Sweden and fashions it into a distinctive conception of international institutions, one whose rules are durable, even over centuries (thus organized), yet frequently compromised (hence hypocrisy) (pp. 65–66). Organized hypocrisy differs from anarchic conceptions, Hobbesian and contemporary neorealist, in which institutions have no or very little consequence. It differs, too, from neoliberalism, which sees institutions as "brittle stalks," constraining behavior but breaking down when the interests or power of actors change (pp. 59–60). Likewise, it contrasts with conceptions of institutions as "embedded," meaning both durable and reflected in behavior (pp. 61–63). Organized hypocrisy instead regards institutions as "cognitive scripts" that states find useful to follow again and again over the long term but easy to deviate from whenever they choose (pp. 63–67). Such is sovereignty, which originated in early modern Europe and continues a battered longevity. In organized hypocrisy Krasner again offers the field an impressive and most likely durable conceptual innovation.

Krasner's empirical defense of organized hypocrisy, the bulk of the book, lies in several chapters detailing historical compromises of sovereignty—minority rights treaties, human rights conventions, sovereign lending arrangements, and states' intervention in the constitutional affairs of other states. To prove his theoretical claims, Krasner shows for

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each category the kind of sovereignty that was compromised (Westphalian or international legal), how it was compromised (coercion, contract, and so on), and what motivated states to compromise it (ideology, material interests, and so on). Through each historical category, he wants to show that international norms had little effect on the decision of states to compromise sovereignty; through all the categories combined, he wants to show that such decisions to compromise have been constant.

The categories indeed differ widely, both with respect to the cause of compromise and in the degree of compulsion involved. For instance, treaties to protect the rights of religious and ethnic minorities within the borders of states compromised Westphalian sovereignty. They first functioned as contracts. Seeking to preserve international stability that was threatened by religious war, European states agreed among themselves to respect one another's religious minorities at the early modern settlements of Augsburg (1555) and Westphalia (1648) (p. 73–75). Then, in the nineteenth and twentieth centuries Western states imposed the treaties upon East European states—this in order to create stable democracies and, in turn, international peace. Other compromises of Westphalian sovereignty include agreements to protect human rights, which have taken the form of conventions (pp. 105–6), sovereign lending arrangements, which have been contracts (pp. 127–29), and states' attempts to alter the constitutional structures of other states—through imposition, usually in the form of armed intervention (pp. 153–55). Krasner also details compromises of international legal sovereignty, cases where states have withheld recognition of other states or have recognized entities other than states, for reasons ideological, economic, and strategic (pp. 14–20, 228–37).

These cases constitute Krasner's formidable battery of evidence for the persistent compromise of an enduring institution. More than any previous author, he has cataloged the causes of compromises in the Westphalian order of sovereign states and has thus called into question its stability, sanctity, and inviolability. His conceptual innovations and his historical documentation are subtle and extensive and make his position impossible to ignore. His iconoclasm extends even to the field's iconoclasm. At a time when analysts are widely claiming clefts in the sovereign states system, Krasner tells us that the system was congenitally riven. Recall his adverbs: "always . . . violated" and "[n]ever . . . a stable equilibrium" (p. 24). He aspires to usurp the field's assumption of a Westphalian order. It was, he argues, as compromised in 1648 as it is today.

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Does the dethronement effort succeed? This is our central question for critique, and it is critical, given all that is at stake for the field's assumptions. More precisely, has sovereignty been toppled from its status as a "stable equilibrium," a default condition, a typically respected, normally uncompromised, if sometimes violated institution? It is a difficult thesis to judge. How much compromise must sovereignty experience for it no longer to be a stable equilibrium or a useful analytic assumption? How are we to judge the significance of any particular category of compromise? Does a good standard exist?

The answers are unclear. Indeed, some of Krasner's compromises are of questionable importance. He makes no strong distinction between de jure and de facto compromises. Are some compromises notable then primarily for their symbolic value and not as significant curtailments of a state's constitutional authority? He explains, for instance, that nineteenth- and twentieth-century minority rights treaties, although they compromised the Westphalian sovereignty of East European states by virtue of their initial coercion and imposition, had little discernible impact on those states' treatment of their minorities (pp. 74, 104).

The same difficulty applies to the chapter on human rights, in which Krasner argues that, except for occasional episodes of economic sanctions, most compromises of sovereignty have taken the form of conventions between states. But of these conventions, only the European human rights regime has effective enforcement procedures (p. 119). Others have no procedures for enforcement or monitoring; some allow for referral to the International Courts of Justice, an option never utilized; some allow external investigations but only with the consent of the target state. Most of them, that is, compromise sovereignty very little (pp. 109–18). He also argues that some conventions like the Helsinki Accords have compromised the autonomy of states like the Soviet Union by unexpectedly undermining their domestic legitimacy. This admittedly strong effect, though, seems to involve no compromise of legal authority; at most, it is an ideological curtailment of interdependence sovereignty (p. 119).

In his final chapter Krasner demonstrates the compromise of international legal sovereignty by cataloging instances of states recognizing entities other than typical sovereign states. But how significant are these entities? He points to Andorra and to Britain's "associated states" in the Caribbean as examples of polities subject to partial outside control and to the Order of Malta as an entity that has no territory, yet enjoys diplomatic representation. None seems to explode Westphalia. The Exclusive Economic Zone, the scheme that apportions states' authority

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over coastal waters, the Federal Republic of Germany, subject to the restrictions of its allies during the cold war, the Palestine Liberation Organization, the British Commonwealth states, and the European Union are more politically significant exceptions to be sure, but hardly add up to 350 years of constant compromise (pp. 228–37). Krasner concedes that states compromise international legal sovereignty much less often than Westphalian sovereignty—qualification that casts doubt on his strong general thesis.

Curiously, Krasner omits compromises of Westphalia that would help his case. He hardly mentions United States intervention during the cold war, from the Truman Doctrine to the Reagan Doctrine. Nor does he deal with internationally sanctioned intervention, often called humanitarian intervention, despite the fact that scholars widely regard it as a major challenge to Westphalia after the cold war. But even if we add these to the significant compromises of sovereignty that he explores—the European human rights regime, sovereign lending, the Soviet Empire, and so on—it remains difficult to judge whether their accumulated weight eviscerates sovereignty as a "normal" state of affairs. Must we not also consider states' compliance with sovereignty? Since the Peace of Westphalia in 1648, states, now over 190 of them, have enjoyed supreme authority within their territories and immunity from external interference in enforcing their law, in organizing their national defense, in raising revenues, and in governing education, religion, their natural environments, their citizens' economic welfare, and tens of other matters. If we were to multiply the number of states that have existed since Westphalia by the number of areas of policy over which they have enjoyed sovereignty by the number of years in which they have enjoyed sovereignty in each area, it may well turn out that respected sovereignty is far weightier than compromised sovereignty. Indeed, sovereignty may be the default, status quo condition that is then subject to violation, despite Krasner's demonstration that violations are more voluminous than scholars had previously thought.

To answer the charge, Krasner would have to demonstrate somehow that the compromises outweigh the lack of compromise. But without a good standard for judging such significance, how can he demonstrate this? He appears guilty, then, of a form of selection bias. He marshals all the cases of compromise he can think of but does not compare this evidence with the evidence of times and places where states have not compromised sovereignty. These states in these times and these places are vast, empty interstices in his analysis. Has the Westphalian glass been half empty or half full? Or has it only been, say, one-tenth empty?

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Selection bias also infects Krasner's other major claim, that in compromising sovereignty, states fail to heed prohibitive international norms, the logic of consequences trumping the logic of appropriateness. Again, the problem lies in his exclusive focus on compromises. How do we know that when states do not compromise sovereignty, quite possibly the majority of the time, international norms have no effect? States may well comply with norms out of a sense of appropriateness. Alternatively, they may follow a neoliberal institutionalist logic by which following rules best maximizes their interest as a unitary actor—by stabilizing expectations, minimizing cheating, and the like.[7] Or, as a realist would have it, states may comply only out of incentives unrelated to the norm. But since Krasner provides little direct evidence of the effect of norms on decisions, we are left with no way to judge this effect.

As Krasner fails to disprove the efficacy of norms by overlooking compliance, conversely, in cases where states violate sovereignty, he asserts too readily that states calculate consequences heedless of norms. It is his own contention, for instance, that one of the reasons states sign human rights accords is to follow a "script of modernity," apparently a logic of appropriateness (p. 121). Again, though, to know firmly which logic corresponds to which behavior, we need evidence for why states decide to comply with norms of sovereignty.

In chapter 1 Krasner anticipates the charge of selection bias and responds that he is not simply "scavenging for examples that support the argument" (p. 28). He reasons that he has examined widely the sites of plausible compromise and finds that compromise indeed occurs in all of them. What are these sites? Major peace treaties are the typical forum for the compromise of minority rights; it turns out that virtually all of them include such compromises. East European states, another site, have experienced a compromise of their sovereignty over human rights and minority rights during most of their existence. Weaker states in general, he notes, are far more likely to have their sovereignty compromised (p. 29).

But Krasner's survey of these sites fails to resolve his selection bias. To support his claim that violations of Westphalia have been "almost routine in international politics"(p. 28), he must compare violations against the broad set of all states, everywhere, not simply East European states or weak states. But even if we focus only upon his designated sites, the problem persists. Weak states, for instance, throughout

[7] On neoliberal institutionalism, see, for instance, Robert O. Keohane, *International Institutions and State Power* (Boulder, Colo.: Westview Press, 1989).

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Africa, Asia, and the Americas, rarely experience significant compromises of their sovereignty over human rights or minority rights. Certainly, many of them have been a party to peace treaties, and many have surely been the targets of intervention, but whether often enough to make violations "routine" is, again, unclear. In the end selectivity persists and damages the case, for unless Krasner can quantify proportionally the compromises of sovereignty in a universe of states that often do not compromise sovereignty at all, he cannot succeed in dethroning the assumption that undiminished sovereignty is the default state of affairs.

Aside from whether sovereignty is violated frequently or seldom, apart from whether norms of sovereignty affect the decisions of states, there is yet a deeper dimension of the concept, a realm in which it performs quite differently, more foundationally, and more stealthily than Krasner allows. Although Krasner only briefly mentions this dimension, it lurks beneath and is implicit in much of his analysis. What I have in mind is the constitutive dimension of sovereignty. His failure to treat it is the most important shortcoming of the book.

Krasner comes back again and again to the compromise of sovereignty. But the notion of compromise makes sense only if there are states that other states think are entitled to sovereignty in the first place. But where does this expectation come from? Krasner's notion of hypocrisy suggests some mutually understood virtue to which states pay tribute in their very acts of vice. But where does the expectation of this virtue come from? In compromising international legal sovereignty, states fail to give polities that look and act like states their due recognition as states and sometimes accord nonstate polities the privileges due to states. But where does the notion of what is "due" originate? Krasner often refers to sovereignty as a "cognitive script" to which states frequently return. But if there is such a script, who wrote it? The questions suggest that there are rules whose efficacy is realized not through being respected but through their deeper function of defining the polities and basic rules of an international system.

Scholars call rules that play this deep, defining function constitutive.[8] They commonly appeal to the rules of chess to describe them.

[8] For philosophical accounts of constitutive rules, see John Rawls, "Two Concepts of Rules," *Philosophical Review* 64 (1955); and John R. Searle, *The Construction of Social Reality* (New York: Free Press, 1995). For international relations scholars who emphasize the importance of constitutive norms, see David Dessler, "What's at Stake in the Agent-Structure Debate?" *International Organization* 43 (Summer 1989); Christian Reus-Smit, "The Constitutional Structure of International Society," *International Organization* 51 (Autumn 1997); idem, *The Moral Purpose of the State* (Princeton: Princeton University Press, 1999); Nicholas Greenwood Onuf, *World of Our Making: Rules and Rule in Social Theory and International Relations* (Columbia: University of South Carolina Press, 1989); Stephen A.

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Constitutive rules here define the board, the number of players, and the moves that each player may perform, and they link these players and rules within a coherent scheme. Without these rules, the game itself would not exist. Constitutive rules are the architecture of a building; they fashion a structure that players then inhabit and move within. They are the blueprints of machinery; they create a mechanical organism whose parts move and work together.

Similarly, scholars have identified rules that constitute the international system. These rules are not the laws or institutions of "international society" that provide order or peace or justice among states; rather, more foundationally, they create the system in the first place.[9] They define the holders of basic authority and their most essential prerogatives. In the modern international system constitutive rules define sovereign states, not baronies or tribes or churches or empires, as the legitimate polities, and they set forth their essential prerogatives as nonintervention, *pacta sunt servanda,* and the like. The norms that define authority are generally agreed upon by the states within a system. Citizens within states hold them, too. It is both external recognition and internal consensus, then, that confer a state's sovereignty.[10] Once constituted, states then proceed to conduct their typical, sometimes deadly, business of fighting, allying, making peace, engaging in commerce, and competing and cooperating in thousands of affairs.

Krasner briefly considers constitutive rules and explicitly denies that international relations is like chess. In chess, a violation of the rules, say, moving a bishop in a straight line, undermines the game. But in international relations, violations occur often, commonly with impunity, and do not destroy the game. Krasner's point is valid: the two endeavors are indeed dissimilar in this way. But his conclusion that "the international system . . . does not have constitutive rules" does not follow from the

Kocs, "Explaining the Strategic Behavior of States: International Law as System Structure," *International Studies Quarterly* 38 (December 1994); Antonio Cassese, *International Law in a Divided World* (Oxford: Oxford University Press, 1986), 129–57; Anthony Clark Arend, *Legal Rules and International Society* (New York: Oxford University Press, 1999); John Gerard Ruggie, "Territoriality and Beyond: Problematizing Modernity in International Relations," *International Organization* 47 (Winter 1993); idem, "What Makes the World Hang Together? Neo-Utilitarianism and the Social Constructivist Challenge," *International Organization* 52 (Autumn 1998); Alexander Wendt, "Anarchy Is What States Make of It: The Social Construction of Power Politics," *International Organization* 46 (1992); Friedrich Kratochwil, *Rules, Norms, and Decisions: On the Conditions of Practical and Legal Reasoning in International Relations and Domestic Affairs* (Cambridge: Cambridge University Press, 1989); Daniel Philpott, "Westphalia, Authority, and International Society," *Political Studies* 47 (1999).

[9] There is a large literature on international society. The locus classicus is Hedley Bull, *The Anarchical Society: A Study of Order in World Politics* (New York: Columbia University Press, 1977).

[10] On the role of sovereignty in the international system, see the essays in Robert Jackson, ed., *Sovereignty of the Millennium* (Oxford: Blackwell; 1999).

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contrast (p. 229). A violation or compromise of the rules that constitute international relations does not make them any less constitutive. Again, the very concept of a compromise or violation presupposes that there is an entity being compromised or violated. No matter how often states suffer intervention, they are still states and are constituted as such by rules that define their prerogatives. Even if a state is conquered, other states still continue to constitute the system, and most of those will regard the conquest as a violation of the rules of the order. In cases where states refuse to recognize a polity as a state, their refusal is only intelligible because there are shared rules that define recognition in the first place and indeed give power to the refusal. A better metaphor for international relations, then, is a game of sandlot basketball. Yes, the rules are often violated, but that would not be possible were there not rules that define the game in the first place. The violation of constitutive rules makes them no less constitutive.

By paying little heed to constitutive rules, Krasner fails to acknowledge, much less explore, a major influence of sovereignty. As a scheme of authority, the sovereign state system gradually replaced medieval Europe's complex system of overlapping privileges where very few authorities held supremacy within a territory. Scholars generally regard the Peace of Westphalia as the culmination of this trend. But the sovereign state has proven a remarkably robust form of authority, enjoying over 350 years of staying power and expanding outward to become the only form of polity in history ever to cover the land surface of the globe. By arguing for unhalting, ubiquitous flux, Krasner fails to account for sovereignty's power to constitute political authority, a power that is not only enduring but also robust, continuous, and expansive.

But if the sovereign state system is long-lived, it is not fixed or eternal. Acknowledging sovereignty's constitutive role not only reveals its perdurability but also helps us to identify compromises of it that are far wider and deeper than this or that violation and add up to changes in the very authority structure of the international system. When statesmen formed the European Coal and Steel Community, expanding eventually into the European Union, when delegates to the United Nations declared colonialism illegitimate as European metropolitan cabinets gave independence to wide swaths of Africa and Asia, when international organizations repeatedly began to sanction intervention after the cold war, authority evolved far more profoundly than it did whenever the United States intervened yet again in Latin America. These sweeping changes reconfigured the lasting and wide institution that sovereignty had become. The European Union created an alterna-

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tive institution; intervention created a restriction on some states' sovereignty; and colonial independence abolished imperial prerogatives, a provision whose effect was to reproduce sovereign states across the globe.

Krasner's omission of the constitutive role of sovereignty leaves his thesis of continuous flux both overstated and understated. We find no recognition in his work that sovereignty has structured and expanded the international system over 350 years. But neither do we read of the more sweeping reconfigurations of sovereign authority that at times have restructured the international system in important ways. He ignores, too, a function of sovereignty that could help answer a question that he never quite comes to terms with. If states constantly violate sovereignty, then why do they keep coming back to it? What accounts for its enduring quality? Without recognizing the norms that define (and restrict) the very authority of sovereign states, Krasner can explain hypocrisy, but not why it has been organized.

II

Krasner is not the only scholar who has recently sought to dethrone Westphalia. Michael Ross Fowler and Julie Marie Bunck find similar flaws in the model—it is far too simple; it is far too incognizant of manifold state practices; scholars are far too ready to accept and assume it; it is incongruent with international politics not simply after the cold war but as states have long practiced it. Their book, *Law, Power and the Sovereign State*, reads as a compendium of compromises, current and historical.

But their tone differs. Krasner, evoking Bullingbrook, declares his assault at the outset and relentlessly prosecutes it. Fowler and Bunck, by contrast, interrogate the Westphalian model, posing it against a challenger model, drawing out the commitments, the implications, and the advantages of each, and finally deciding in favor of the challenger. They resemble not so much a usurper as a judge who carefully delimits a president's authority.

Legal proceedings prove more than a metaphor for Fowler and Bunck's relative circumspection but also embody a second contrast—their relative emphasis on international law. Krasner finds compromises of sovereignty in state practices such as intervention, in treaties, in the rules of international organizations that states have joined, as well as in international law. Fowler and Bunck draw upon all of these sources, to be sure, but place far more emphasis on international law as a criterion

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for locating compromises. Decisions of international courts and the United Nations, recognition practices, and legal arguments appear far more frequently, receive far more extensive discussion, and thus give a far more legal mien to the set of compromises that they discover.

Inquiry as method, an emphasis on law: it is a contrasting approach to a similar argument. They first apply it in interrogating the definition of sovereignty itself: does a good one even exist? Asking whether traditional scholarly formulations accurately describe international law and practice, they begin by considering three widely cited traits—people, government, and territory—and then explore three deeper, more thorough criteria. First, a sovereign state must possess de facto internal supremacy. There is a final and absolute authority within the political community (pp. 33–47). Second, sovereignty implies de facto external independence; no outsider exercises control within its territory (pp. 47–50). Finally, many scholars, most cogently Alan James, have identified de jure independence as essential. A sovereign state's constitutional independence is recognized by other states (pp. 50–53).[11]

The criteria in fact encompass three of Krasner's four definitions—domestic, Westphalian, and international legal sovereignty. Like Krasner, Fowler and Bunck also find the standards widely unfulfilled in practice. For each attribute, they give examples of states that have not enjoyed it. Do Fowler and Bunck conclude that states that fall short of a full portfolio of attributes are not sovereign? No. Whether a state is sovereign ultimately depends rather on whether a consensus of other states believes it is sovereign (pp. 57–62). Fowler and Bunck do not settle on a definition of sovereignty, then, but on a judgment of who defines sovereignty.

Definitional skepticism, though, is only a prelude to their central line of inquiry: what privileges does sovereign status confer? More precisely:

> Is sovereignty principally a legal idea or a political one? Do states by virtue of their sovereign status really possess a set of identical rights and obligations? Or, alternatively, does sovereignty in practice confer somewhat different rights and impose somewhat different duties upon satellites and superpowers, or upon tiny, newly independent states and large, populous powers? (pp. 63–64)

Such questions directly challenge the continued utility of the Westphalian model: if the classic image of sovereignty is inconsonant with the privileges of actual states, then the image ought to be discarded.

Fowler and Bunck find that international legal scholars and political scientists have returned two sorts of answers to these questions. They

[11] See James (fn. 4).

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call the first sort "chunk theories" and identify them with the traditional Westphalian outlook. The moniker "chunk" implies two characteristics of state sovereignty. First, it is monolithic. A sovereign state enjoys all of the privileges of sovereignty simultaneously: it has a people, government, and territory, it is de facto internally supreme, and so on. Second, state sovereignty is indivisible. No sovereign privilege can be parceled or enjoyed partially. Alan James calls the same quality absoluteness and argues that sovereignty must be either present or absent; no state can be, say, 57 percent sovereign.[12] Behind both characteristics lies the principle of equality, a principle that analogizes Westphalian states to individuals in a constitutional republic. Regardless of their population size, their wealth, or their military power, sovereign states enjoy the same legal privileges. If they do not enjoy such privileges, then they are not sovereign at all. This does not mean all states have equal obligations. Like individuals citizens, they are free to restrict their legal autonomy through binding commitments—what Krasner calls contracts and conventions. But nothing can rob them of their sovereign authority to enter into such commitments.

Profoundly skeptical of "chunk theories" of the Westphalian model are what Fowler and Bunck call "basket theories" of sovereignty. These accounts propose to refashion the very concept. Sovereignty is not necessarily absolute, nor need it always be monolithic or indivisible. Rather, sovereignty exists in degrees, some states possessing a certain "basket" of some attributes, others possessing another "basket" of other attributes. The advantage of this definition is that it is a more accurate description of the world. Only a few very strong states will enjoy sovereignty absolutely and completely. Most states, by contrast, find their sovereignty variable, evolving, and truncated, not just through contract and convention, to use Krasner's categories, but also through imposition and coercion. Basket theories, Fowler and Bunck discover, have been advocated for decades by legal theorists like Hans Blix, Charles Burton Marshall, and Ian Brownlie and by political scientists like Quincy Wright (pp. 70–80). It is an insight that Krasner misses: the view that Westphalia is not merely eroding but was never a viable model of international relations is not a new one.

Fowler and Bunck also endorse this view. On what grounds? Like Krasner, they begin by cataloging types of circumstances in which sovereignty is compromised. Unlike Krasner, though, they define the types not according to the degree of coercion or number of states involved

[12] Ibid., 45–48.

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but according to the legal arrangement through which the compromise takes place. They identify six kinds of such arrangements. The first is what they call "international legal proceedings," which are international court decisions to allow one state to exercise rights within another. Portugal's claim before the International Court of Justice in 1960 that it had rights of passage over India in order to reach Portuguese enclaves is exemplary (pp. 84–88). Second, a lease of territory exists when a weak country relinquishes to a powerful country exclusive rights to its territory. Panama leased the U.S. its Canal Zone; Cuba leased the U.S. Guantánamo Bay; and China leased territory to European powers in the nineteenth century (pp. 88–98). Third, an international servitude is a bounded restriction on sovereignty—in the early twentieth century the Dutch government acquired the right to operate a mine on German territory (pp. 99–102). Fourth, "foreign military occupation and dictated treaty terms" violate sovereignty, too, as in the Allied occupation of Germany and Japan after World War II, United Nations oversight of Iraq's weapons programs, and the 1901 Platt Amendment to the Cuban Constitution, allowing U.S. intervention (pp. 102–7). Fifth, Fowler and Bunck note Europe's minority treaties as one of their categories (pp. 107–12). Finally, "state-to-state political relationships"—East European satellites of the Soviet Union, repeated U.S. intervention in Latin America, Britain's military protectorate of Belize—violate sovereignty, too.

Fowler and Bunck's compendium of compromises of sovereignty, is, like Krasner's, formidable—thorough, nuanced, extensive. Similar to Krasner, their book is very persuasive on the point that compromises are more extensive than scholars previously thought. But as we did with Krasner, we must ask whether the plethora of data sustains their general conclusion—the soundness of basket theories, the weakness of Westphalia.

It may seem difficult to decide between chunk and basket theories. After all, as Fowler and Bunck point out, even chunk theories acknowledge states whose privileges fall short of absolute sovereignty, regarding them as exceptional entities or as temporary nonsovereign arrangements on their way to full sovereignty. It is not clear what amount of actual compromises ought to disconfirm chunk theories. Might it not be the case that chunk theories are correct about the meaning of sovereignty, but that many states simply fall short of the model?

Yet quantities appear to be a key criterion for Fowler and Bunck. Supporting basket theories of sovereignty is the number of polities that

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do not look sovereign. There are too many of those, they say, to be considered aberrations or primitive stages. They conclude that "since the international community seems in practice to have adopted a variable approach to sovereignty on *numerous* occasions, the meaning of the term can indeed differ markedly for a satellite, a superpower, a defeated state, a newly independent nation, and a large, populous superpower" (p. 124, emphasis added). Yet even if we follow Fowler and Bunck in adopting the number of compromises as the criterion for judgment, we quickly face the problem confronting Krasner. How many violations does it take to confirm basket theories? What constitutes the universe of cases? Again, over the course of three and a half centuries of a Westphalian system that is now composed of over two hundred states, even all of the violations they mention may turn out to be rather small portion of the whole. With no contrasting measure of nonviolations, Fowler and Bunck cannot proportion their adduced compromises and cannot answer the charge of selection bias.

Yet it turns out to be more than numbers that lead them to decide for basket theories. In their assessments of different forms of compromise, they often appeal to a separate argument—the fact that compromises were the result of duress, which corresponds to Krasner's categories of coercion and imposition. Cuba had little choice but to sign the Platt Amendment; the Chinese were forced to lease their territory; East European states far from consented to be satellites. Duress, reason Fowler and Bunck, belies the contention of chunk theories that states first hold absolute sovereignty then contract away their privileges freely; rather, it supports the contention of basket theories that states hold variable privileges in the first place, depending on their exigencies and their circumstances.

The commonness of duress cannot be denied. Many states have surely been denied sovereign privileges against their will. As Krasner shows, however, states compromise sovereignty in other ways, by contract and convention. But even if duress described every compromise of sovereignty, it is not clear that the conclusion of basket theories follows, namely, that sovereignty is variable in content, enjoyed in different forms by different states. What duress shows is how sovereignty is compromised, not what the concept means. If chunk theories do not deny that compromises occur, then neither need they deny that sovereignty is compromised through duress.

Perhaps the case for basket theories lies not in their description of compromise or duress but in their very definition of sovereignty. It is not clear, though, that their conception of sovereignty is really sover-

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eignty at all. Bodin and Hobbes, who first gave prominence to sovereignty, used the concept to describe the state, a new kind of polity that was foreign to the Middle Ages. To say that the state was sovereign was to say that it possessed all of the attributes that Fowler and Bunck associate with the traditional definition—a people, a government, a territory, internal supremacy, de facto and de jure, and independence from outside rule. Though scholars have not universally accepted this definition, it has proved robust, steady even through vast historical changes, both in the holders of sovereignty within the state—from monarch to people, nation and constitution—and in communication, technology, economics, and modes of warfare. Were sovereignty to mean something other than the traditional definition, were it to lose its defining features of internal supremacy and external independence, were it to mean a whole assortment of privileges, it would lose all distinctiveness. It would refer to virtually any type of authority and thus to no type of authority in particular. Indeed, why not simply jettison sovereignty in favor of the broader concept of authority and say that different polities practice different forms of authority? The concept of sovereignty offered by basket theories amounts to little that is distinct or meaningful. We would preserve the power of our conceptions far better by maintaining the concept of sovereignty in its traditional form and simply acknowledging that we live in a world of violations, compromises, and aberrations, of many political entities that do not enjoy full sovereign privileges, as Krasner and Fowler and Bunck show so well. The concept is as valid as ever; the world does not always conform to it.

Like Krasner, Fowler and Bunck also overlook sovereignty's deeper, more foundational constitutive significance, although many of their insights and examples intimate it. It is profoundly revealing that polities whose sovereignty is violated—China, Cuba, East European states, and many Latin American countries—react to the violation by complaining, protesting, appealing, and suing—all in the name of their sovereign privileges. Fowler and Bunck quote China's protest at the Washington Conference of 1921: China requested that other states "respect and observe the territorial integrity and political and administrative independence of the Chinese Republic," and went on to announce that "[a]ll special rights, privileges, immunities or commitments, whatever their character or contractual basis, claimed by any of the Powers in or relating to China are to be declared, and all such or future claims not so made known, are to be deemed null and void" (pp. 96–97).[13]

[13] Fowler and Bunck draw the quote from Kevin P. Lane, *Sovereignty and the Status Quo: The Historical Roots of China's Hong Kong Policy* (Boulder, Colo.: Westview Press, 1990), 24.

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Now, were it not the case that China thought itself entitled to full sovereign privileges à la Westphalia, then what was it protesting? To what was it appealing? But if China did think itself entitled to such privileges, then where did it get this idea? Only if there had been a general consensus in international society—shared constitutive rules—that member states are entitled to be treated as sovereigns would China's protest be intelligible. Or, for that matter, Cuba's protest or that of an East European or Latin American state. If, as basket theories claim, sovereignty varied according to the circumstances, such appeals would be nonsense. A state's sovereignty would simply be equivalent to its current range of privileges, not something to which it is entitled by virtue of its statehood but does not presently enjoy.

III

There are profound similarities in Krasner's and Fowler and Bunck's projects. Both want to persuade us that the field's classic Westphalian model is incorrigibly compromised, precisely because the sovereignty of states has been compromised—enduringly, not just recently. They document their case amply, demonstrating that the absolute sovereign authority of states is compromised far more often and in a greater variety of ways than most political scientists and international legal scholars have previously recognized. Krasner charts these compromises with great theoretical sophistication. Fowler and Bunck's emphasis on the international legal literature complements Krasner's thesis nicely.

Where, then, do things stand? Krasner and Fowler and Bunck, as I have argued, have not succeeded in their project of usurpation. First, as we have seen, they offer example upon example of how Westphalia is pockmarked, truncated, violated, limited, leaky, and restricted, but they give us no way to proportion these compromises against the periods and locales in which Westphalia has been respected. Is Westphalian sovereignty a beleaguered but enduring norm or an irremediably flawed construct? Second, they ignore that even if Westphalian norms are violated, such norms nonetheless define the polities without which violations would not be intelligible—and define them as sovereign states. Constitutive norms of sovereignty underlie the sanctity of this or that state's sovereignty. But if they are enduring, they are not eternal. When this substrate does shift, the effect is like an earthquake rather than a localized cleft. Witness the examples of the UN's declaration of colonial independence and the sweeping release of colonies in the early 1960s, European integration, and the rise of internationally sanctioned in-

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tervention after the cold war. The omissions in the work of Krasner and Fowler and Bunck, though, provide an opportunity—indeed, an agenda—for other scholars. That European integration and international intervention are rolling ahead only strengthens the urgency of understanding the constitutive role of sovereignty.

A timely response to this urgency is Rodney Bruce Hall's new *National Collective Identities: Social Constructs and International Systems.* Hall's work is about international systems—what they are, where they come from, how they shape the behavior of states. He is out to challenge the view of realists, particularly Kenneth Waltz, that systems are composed of abstract, ahistorical states differing in size but not in character or purpose and that the distribution of power between these states is the most important characteristic of systems.[14] Instead, he proposes that historical international systems differ according to the prevailing form of domestic order and the rules that govern conduct between states. This notion of system, as we will see, has much to do with constitutive norms of sovereignty.

Hall identifies three major historical systems according to their definitions of sovereign authority. Dynastic sovereignty characterized what he calls the Augsburg system, dating back to 1555 (pp. 51–58). Territorial sovereignty marked the Westphalian system, beginning in 1648 (pp. 58–67). National sovereignty then colored the nation-state system that arose in the nineteenth century (pp. 67–72). Each system comprises five components. First and second are individual identity and collective identity. Each shapes the other, and together they define how people define themselves with respect to groups and authority. Are we Protestants? Aristocrats? Frenchmen? Equally important, they answer the question of sovereign authority: to whom or what are we subject? The prince who shares our religious confession? A state? A nation (pp. 34–39)? The third component is the set of principles—always some form of sovereignty—that legitimates political authority. Such principles might be *cuius regio eius religio* (whose the region, his the religion), which legitimates the sovereignty of a confessional prince, or *raison d'état,* which confers the authority of a territorial sovereign, or national self-determination, which entails the nation's authority (pp. 39–44). Fourth, "institutional forms of collective action" are the political institutions that form around prevailing conceptions of authority—the kingdom, the territorial-state, and the nation-state, as Hall lists them

[14] Hall acknowledges that not all realists hold this view and discusses Hans Morgenthau as an alternative. He notes that while Morgenthau is not a structuralist, he still relies on ahistorical abstractions (pp. 14–19).

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(pp. 44–46). Finally, norms, rules, and principles regulate the actions of authorities within a system (pp. 46–47). Hall categorizes these as sociopolitical, socioeconomic, intersocietal, and security. Security norms, for instance, define the reasons for war within a system—confessional and dynastic disputes in a dynastic sovereign system, secession and national unification in a national-sovereign system. It is sociopolitical norms that define the prerogatives of sovereign authority (p. 29).

Hall develops all of these concepts in the introductory section of his book. They are what is most important for the comparison with Krasner and Fowler and Bunck. For Hall, notions of sovereignty, translated into norms and institutions, define authority across entire international systems during entire historical eras. They reflect prevailing philosophies of political authority, and they shape war, conflict, and economic competition during these eras. Hall does not concern himself with violations of norms on this or that occasion; such transgressions have little effect on the broad system. Sovereignty's role is much more fundamental. It is constitutive, defining the very institutions and basic rules by which states conduct international affairs.

The rest of the book is a historical defense of Hall's theses about how international systems come into being and how they shape conduct. He chooses to focus on a single transition, from the territorial sovereign system of Westphalia to the nationally sovereign system of the nineteenth century. On the genesis of international systems, Hall argues that changes in collective identities are the central motor of change. He intends here to depart from realism, in which the chief currency of politics is the will to power. Instead, he draws upon recent constructivist scholarship to argue that it is instead "'the will-to-manifest-identity' of social collectivities as agents that spawn the social construction of domestic and global social orders" (p. 6). How has the will to manifest identity influenced history? In the late eighteenth and the nineteenth century, the notion that citizenship resided within the "imagined community" of the national people fashioned an international system built on the principle of national self-determination. Nations became the locus of authority within the state; states whose authority did not reside in a national people became unstable (pp. 4, 12, 67–72). Hall does not purvey single causes. The emerging capitalist order, for instance, helped shape the system of national sovereignty as it did the nation itself; national identities in turn shaped the capitalist order (pp. 69–71). But against realist and Marxist accounts, he wants to argue for the causal importance of collective identities.

Hall's theses concern the effects, not merely the origins, of interna-

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tional systems. Different systems, constituted by different collective identities, yield different histories of war, conflict, and political institutions. International politics in a national-sovereign system, formed by nationalist identities, differed markedly from politics within a territorial-sovereign system, an argument that Hall demonstrates through several historical events—the Seven Years' War, the Napoleonic Wars, the Concert of Europe, the Revolution of 1848, the Danish-Prussian War, the Austro-Prussian War, the Franco-Prussian War, nineteenth-century imperialism, the First World War, and the contemporary collapse of the Soviet Union and end of the cold war. In a chapter on the principle of nationality, for instance, Hall looks at the policies of Prussia and France in the events surrounding the Franco-Prussian War and shows that they cannot be explained according to the predictions of realist and neorealist theory. Prussia, still a traditional territorial-sovereign state and resistant to the rise of nationalism and liberalism, opposed the creation of a popular mass mobilization army, even though the competitive international system imposed pressures to do just that. Due largely to nationalist pressures, the France of Napoleon III initiated a war against Prussia for which it was ill prepared and from which it had little to gain (pp. 173–213). The milieu of popular nationalism, then, resulted in policies that a territorially sovereign state seeking to maximize its power in an anarchical system would not have adopted.

In describing the effects of international systems, Hall brings to fullness his argument about the importance of collective identities for international systems. These identities and these systems are made up of understandings of what constitutes political authority, or sovereignty. In an era when political authority in the international system is being revised or reconstituted through European integration, internationally sanctioned intervention, and the continued disintegration of federations and empires, *National Collective Identity* is timely and relevant. Hall's work also creates opportunities for scholarship, mostly through his innovations, but also through some shortcomings that other scholars might remedy. Four lines of inquiry emerge that could lead to a distinct body of scholarship on the constitutive role of sovereignty and its responsibility for developing our current international world.

First, we need to understand more fully how norms and shared understandings of sovereignty constitute authority in the international system. Ambiguity in Hall's periodization of international systems alerts us to this need. Hall characterizes successive systems according to the prevailing holder of sovereignty within polities—dynastic confessional princes, monarchs, and nations. Yet although these holders of

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authority indeed change from system to system, the scope of their authority remains consistently within the boundaries of territorial polities. That is, the external sovereignty of these polities—pace Fowler and Bunck, their de jure independence from outside authorities—stays relatively constant, at least from the Peace of Westphalia onward. This is what international relations scholars traditionally have in mind when they speak of the Westphalian system. The constancy is admittedly relative: minority treaties, the European Union, and internationally sanctioned intervention are all examples of shared norms that circumscribed the state's external authority subsequent to Westphalia; prior to Westphalia, the Holy Roman Empire did the same. But external sovereignty has remained far steadier than holders of sovereignty within borders.

Obversely, within the single international systems that Hall depicts, a great flux and variety of internal holders of sovereignty threatens to render his depictions far too blunt. Within the system that he calls national-state, there have ruled ancien régime monarchs, liberal constitutional republics, Emperors Napoleon, communist regimes, fascist dictatorships, multiethnic republics, relatively homogenous national states, and theocracies. Can we really generalize this system simply as one in which nations are sovereign? The resulting summons to other scholars is to apply the distinction between internal and external sovereignty and distinctions among the various holders of sovereignty more vigorously to international systems. Among other insights would arise the conclusion that compared with internal sovereignty, external sovereignty has remained constant—not completely fixed, admittedly, but sturdy like a coat of armor whose plates and joints are only occasionally refashioned, while the character inside morphs often, from reform to reform, from revolution to revolution.

But there yet exist manifold other ways in which norms constitute authority—through creating a European Union, though sanctioning some forms of intervention, through granting statehood to colonies—that call for other sorts of distinctions. One framework would suggest that international authority appears in three faces. All international systems define all three faces in unique ways; every system's definition of them is its unique signature. Each face answers a different question about authority. The first face answers: What sorts of polities make up a given international system? Absolutely sovereign states? A Holy Roman Empire? A European Union? The second face answers: Who may belong to the society? And who may become one of these legitimate polities? If states are the legitimate polities, for instance, what are the requirements for being recognized as one? Are colonies entitled to

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statehood? What about nations that do not have their own sovereign state? Finally, the third face answers: What are the essential prerogatives of these polities? If states are the legitimate polities, what sort of immunities and privileges do they enjoy? Is intervention absolutely forbidden? What prerogatives in international organizations do they enjoy? When we understand these three ways in which norms constitute international systems, we may then characterize systems accordingly. We also gain more subtlety in charting changes in international systems. For instance, when colonies acquired the right to independence from their empires in the early 1960s, the second face, the rules of membership, changed, but the first and third faces remained constant—states remained the legitimate polities, with new states gaining the privileges of existing states. The faces evolve independently.[15] Surely other scholars will develop additional distinctions, helping us to understand more precisely how sovereignty has been constituted in the past and how it is evolving today.

Aside from striving for a better understanding of how sovereignty constitutes authority, scholars ought to explore further what causes shifts in the authority structure that constitutes systems. This is a second area for further research. Hall described well how new national identities ushered in the national-state system. Theoretically demanding critics, though, many of them skeptical of the role of identities, will want to see alternative explanations addressed more systematically. Do constitutional norms of authority evolve as new institutions that coordinate the expectations of rational states who seek to maximize fixed forms of utility?[16] Are they, à la realism, the by-product of underlying shifts in the distribution of power?[17] Or are they mere sanctions for upheavals in the global division of labor, as world systems theorists might argue?[18] The role of technology, modes of communication, economic structures other than class, and sundry other kinds of shaping forces might also be investigated.

Other revolutions and evolutions await explanation, too. Why have states and international organizations begun to sanction intervention collectively after the cold war, while they failed to do so during the nineteenth century or in creating the League of Nations and the

[15] For further development of the concept of the three faces of sovereignty, see Philpott (fn. 8), 573.

[16] This would be the logic of neoliberal institutionalism. See Keohane (fn. 7).

[17] As an example of a realist explanation of shifts in norms, see Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1980).

[18] For such an explanation, see the work of Immanuel Wallerstein, e.g., *The Modern World System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century* (New York: Academic Press, 1974).

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United Nations after World War I and World War II? What forces brought about European integration? Or, reaching back to origins, what forces fueled Europe's evolution from medieval Christendom to the territorial system of sovereign states that triumphed at Westphalia?

As Hall is concerned not only with the genesis of international systems but also with their effects on behavior, so, too, a third task for research is to inquire into the effects of prevailing norms of sovereignty upon the actions of states. Hall showed through compelling evidence that in the national-state system, the character of wars, the scope of wars, the causes of war, and the ways in which states fashioned institutions for fighting war all differed from the same phenomena in the territorial-state system, and that realist theory could not account for these differences. His method was to analyze statecraft during discreet episodes—nineteenth-century revolutions, the reunification of Germany, imperialism. Though this approach benefits from historical depth, other scholars will want to look at other episodes and may wish to challenge Hall's account from skeptical perspectives other than that of realism. They will want to examine other systems, too.

On a microscale, we also need to understand better whether and how norms of sovereignty affect individual state decisions. Krasner argued that Westphalian norms exercised little force on state decisions—the proof lies in their frequent transgressions. But recall the flaw in his argument: we have no way of knowing whether the force of norms sometimes leads states to refrain from transgressing them. A study that examines episodes where states had an incentive to commit a transgression, say, illicit intervention, then actually considered intervening but finally chose not to could reveal whether norms affect such decisions. A related question is what leads states to violate or compromise sovereignty. Here, Krasner is open to a variety of explanations—the material power incentives of the unitary state, domestic politics, sympathy for human rights, and so on. Scholars could build on Krasner by sorting out what sort of causes act most powerfully in what types of situations.

A final fruitful area of inquiry, one too often neglected by international relations scholarship, is the normative status of respective norms of sovereignty. Fowler and Bunck stride toward such an inquiry through a cost-benefit assessment of sovereignty in their final chapter, "Why Is Sovereignty Useful?" (pp. 127–52). But deep moral investigation must be philosophically rooted. In the period of the Peace of Westphalia states asserted absolute sovereignty as a solution to religious war. But over the centuries certain traditions of critique have condemned absolute sovereignty as a shield from outside criticism, a cara-

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pace for evil. Both the liberal tradition and the Catholic tradition—the latter the loser at Westphalia—are examples.[19] What is the force of such critiques? Do they take new forms in the post–cold war world?

The state of post–cold war sovereignty also evokes questions of applied ethics. During the 1970s and 1980s political philosophers vigorously debated the conditions under which states may intervene.[20] Recently Michael Walzer, a participant in these debates, posed a new variant of the question. What are the moral and legal criteria, he asked, that tell us whether states may intervene unilaterally rather than multilaterally? In a global legal system that prohibits intervention except when approved by the UN and consistent with its purposes, are there any circumstances where states may justly intervene alone?[21] The failure of the United States to gain UN approval for its 1999 intervention in Kosovo communicates the urgency of the problem.

All of these lines of inquiry address the roiling issues raised by sovereignty. They are old questions; sovereignty is a long contested concept. But we ask them in new contexts. Is the Westphalian system fading? Was it ever intact? If it is evolving, how so? With respect to all three faces of authority? With respect to one or two? Which? What are the causes of these changes? How will they render the actions and interests of states differently? Will the changes bring more justice? Or less? On what grounds? Krasner, Fowler and Bunck, and Hall have admirably begun to face these questions. But they have only begun.

[19] For a liberal critique of absolute sovereignty, see Charles Beitz, *Political Theory and International Relations* (Princeton: Princeton University Press, 1979). In the Catholic tradition, see Jacques Maritain, *Man and the State* (Chicago: University of Chicago Press, 1951).

[20] See the essays in Charles R. Beitz et al., *International Ethics* (Princeton: Princeton University Press, 1985).

[21] See Article 2 (p. 7) of the United Nations Charter; Michael Walzer, "Lone Ranger," *New Republic* 218 (April 27, 1998), 10–11.

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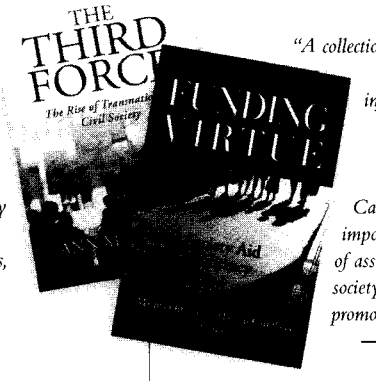

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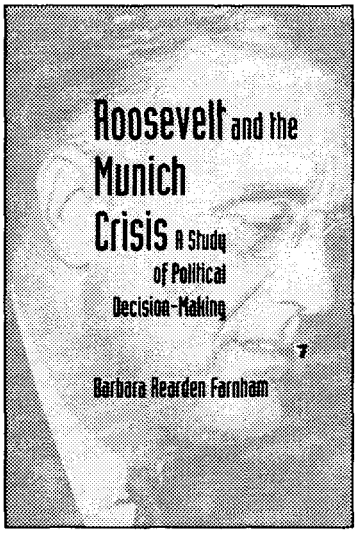

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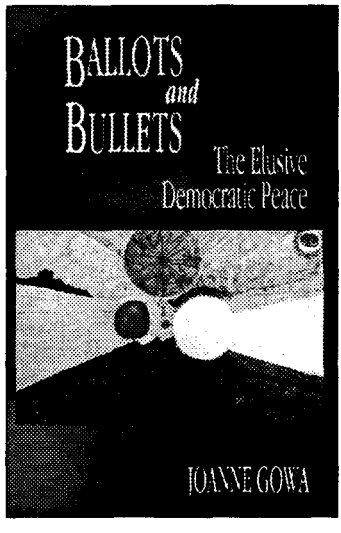

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